S. HRG. 101-74

NOMINATION OF SUSAN ENGELEITER TO BE ADMINISTRATOR OF THE SMALL BUSINESS ADMINISTRATION

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

NOMINATION OF SUSAN ENGELEITER TO BE ADMINISTRATOR OF THE SMALL BUSINESS ADMINISTRATION

APRIL 11, 1989

Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE

98-663 WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S721-6.

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NOMINATION OF SUSAN S. ENGELEITER TO BE ADMINISTRATOR OF THE SMALL BUSINESS ADMINISTRATION

TUESDAY, APRIL 11, 1989

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met at 2:35, p.m., in room 428–A, Russell Senate Office Building, Hon. Dale Bumpers (Chairman of the Committee) presiding.

STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM THE STATE OF ARKANSAS

Chairman BUMPERS. The Committee will come to order.

I am pleased to have before the Committee this afternoon Susan Engeleiter, State Senator from Wisconsin who is the President's nominee to be administrator of the Small Business Administration.

Two hundred years ago on April 6 the First Congress convened under the new Constitution and that document provided the President and the Senate power over selections of the heads of departments and agencies. In continuation of that constitutional tradition, we meet today to determine whether to recommend that the full Senate advise and consent to her nomination to be administrator of SBA.

I have met at length with Ms. Engeleiter and she has fully cooperated with me and with the staff in answering all of our questions. Having reviewed her public record of public service, it is clear that she has achieved many firsts in her career. She is now a member of the Wisconsin State Senate, but she was the first woman to serve in the leadership. Now she is the first woman chosen to head the U.S. Small Business Administration.

If nothing else, I hope and believe she will help us recognize the enormous and growing contribution which women make daily to American business and Government. Senator Engeleiter has been endorsed by a wide array of business groups, including National Small Business United, National Federation of Independent Business, U.S. Chamber of Commerce, and others. I ask unanimous consent that those letters of endorsement be included in the hearing record.

[The material follows:]

PN263 NOMINATION REFERENCE AND REPORT

AS IN EXECUTIVE SESSION,
SENATE OF THE UNITED STATES,
April 6, 1989.

Ordered, that the following nomination be referred to the Committee on Small Business:

Susan S. Engeleiter, of Wisconsin, to be Administrator of the Small Business Administration, vice James Abdnor, resigned.

, 1989.

Reported by Mr. with the

recommendation that the nomination be *confirmed*.

PN 263

The White House,

APR - 6 1989 19

To the

Senate of the United States.

I nominate Susan S. Engeleiter, of Wisconsin,

to be Administrator of the Small Business Administration,

vice James Abdnor, resigned.

GEORGE BUSH

SUSAN S. ENGELEITER
State Senator
14925 Santa Maria Drive
Brookfield, WI 53005

Resume

EDUCATION

JURIS DOCTORATE, University of Wisconsin Law School.

B.S. DEGREE in English and Communication Arts, certified to teach English and communications-related courses at the secondary level, University of Wisconsin - Madison.

HIGH SCHOOL DIPLOMA, Brookfield Central High School, Brookfield, Wisconsin.

LEGISLATIVE/POLITICAL INVOLVEMENT

CANDIDATE FOR THE U.S. SENATE - STATE OF WISCONSIN, September 1987 - November 1988.

* Won party nomination in a 58% to 42% primary victory over State Republican Party Chairman Stephen King.

* Lost in general election by a margin of 52% to 48% to Herbert Kohl.

SENATE MINORITY LEADER, Elected to this leadership post in November of 1984 and re-elected in 1986. Served as ASSISTANT MINORITY LEADER from 1982-1984.

* First woman in the history of Wisconsin to hold a major elected leadership post.

* Only woman re-elected to major leadership post in the Wisconsin Legislature.

STATE SENATOR, May 1980 - present, Wisconsin 33rd District, Elected in special election in 1980 and re-elected in 1982 and 1986.

* First Republican woman elected to the Wisconsin State Senate.

* One of three women in the history of Wisconsin ever to be re-elected to the State Senate.

LEGISLATIVE ASSISTANT TO FORMER WISCONSIN GOVERNOR LEE SHERMAN DREYFUS, January 1979 - March 1980.

STATE REPRESENTATIVE, Wisconsin's 99th District, Elected in 1974 and re-elected in 1976.

* Youngest woman in the country elected to a state legislature when took office in 1975 at the age of 22.

PAST LEGISLATIVE ACTIVITIES (partial list)

Joint Committee on Legislative Organization
Joint Committee on Employment Relations
Senate Organization Committee
Legislative Council
Senate Rules Committee
Banking, Business, Economic Development, Education and Transportation Committees
Governor's Welfare Reform Commission
Strategic Development Commission
Legislative Council Special Committee on Mental Health Issues

CIVIC INVOLVEMENT (partial list)

BOARD MEMBER: Aurora Health Care Board of Directors (the holding company for St. Luke's Medical Center and Sinai Samaritan Medical Center in Milwaukee); and former member of the Board of Directors of Tri-County YMCA (Menomonee Falls).

MEMBER: American Association of University Women; Mortar Board Alumni of Milwaukee; Calvary Lutheran Church in Brookfield; Wisconsin Bar Association; American Bar Association; Milwaukee County Zoological Society, Friends of Channel 10/36; Wisconsin Women for Soviet Jewry, organized by the Milwaukee Jewish Federation; Professional Dimensions, a Metropolitan Milwaukee organization of professional women; and the Metropolitan Milwaukee YMCA.

AWARDS (partial list)

GUARDIAN OF SMALL BUSINESS, 1988, from the National Federation of Independent Business.

OUTSTANDING ALUMNA AWARD, 1987, from the Friends and Alumni of the University of Wisconsin Center in Waukesha County.

ONE OF THE 10 BEST REPUBLICAN LEGISLATORS IN THE NATION, 1986, chosen by the National Republican Legislators Association.

WOMEN OF DISTINCTION AWARD, 1986, from the Christoph Memorial YWCA of Waukesha County.

DISTINGUISHED SERVICE AWARD, 1986, from the Wisconsin Association of the Future Farmers of America.

WISCONSIN GIFT OF LIFE CHAIRPERSON, 1986, from the National Kidney Foundation.

COMMUNITY SERVICE AWARD, 1986, from the Alliance for the Mentally Ill of Greater Milwaukee.

GIRL SCOUTS OF WISCONSIN APPRECIATION AWARD, 1986, presented to former Girl Scouts for outstanding achievements.

SALESWOMAN FOR MILWAUKEE IN THE AREA OF GOVERNMENT, 1984, presented by the Sales and Marketing Executives of Milwaukee.

ONE OF THE OUTSTANDING WOMEN IN WISCONSIN HISTORY, 1980, honored by the American Association of University Women (AAUW), one of two elected officials featured in the AAUW Gifted Heritage Book.

United States
Office of Government Ethics
P.O. Box 14108
Washington, D.C. 20044

April 3, 1989

The Honorable Dale Bumpers
Chairman
Committee on Small Business
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Susan S. Engeleiter, who has been nominated by President Bush for the position of Administrator of the Small Business Administration (SBA).

We have revieved the report and have also obtained advice from the SBA concerning any possible conflict in light of the SBA's functions and the nominee's proposed duties. As indicated in the appended memorandum of March 31, 1989 from Martin D. Teckler, the SBA ethics official, Ms. Engeleiter has agreed to recuse herself from any particular matters concerning the firm with which her husband is employed, The St. Paul Companies, or the SBA Surety Bond Guarantee Program in which it is involved.

Based on the foregoing, we believe that Ms. Engeleiter is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Frank Q. Nebeker
Director

Enclosures: As stated

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

MAR 31 1989

Honorable Frank Q. Nebeker
Director
Office of Government Ethics
1201 New York Avenue, N.W.
Suite 500
Washington, DC

Dear Judge Nebeker:

Pursuant to § 734.604(c) of the Office of Government Ethics Regulations (5 C.F.R. § 734.604(c)), I am submitting herewith as the Designated Agency Ethics Official for the Small Business Administration under the Ethics in Government Act, the required Financial Disclosure Report (SF 278; Rev. 1/87) (Report) and my review thereof of Susan S. Engeleiter, the nominee for Administrator of the Small Business Administration.

The principal issues that arose in the review of Ms. Engeleiter's Report were:

1) the requirement of § 105.506(b)(1) of SBA's Standards of Conduct Regulations (13 C.F.R. 105.506(b)(1)) that the continued direct or indirect interests of an SBA employee, or member of his/her household, in institutions which participate with SBA in any of its financial assistance programs be approved by SBA's Standards of Conduct Committee,

2) the requirement of § 4(b)(1) of the Small Business Act (15 U.S.C. 633(b)) that "the Administrator shall not engage in any other business, vocation, or employment than that of serving as Administrator", and

3) the requirement of § 105.510 of SBA's Standards of Conduct Regulations (13 C.F.R. 105.510), that every SBA employee receive clearance from the designated Agency authorities in order to engage in any significant outside activity, including positions of responsibility with community organizations or other nonbusiness entities.

The specific issues raised in the review of Ms. Engeleiter's Report and the resolutions thereof are as follows:

1. Schedule A discloses that the spouse of Ms. Engeleiter is employed as Vice President for Government Relations by The St. Paul Companies (SPC), St. Paul, Minnesota, an insurance company with several subsidiaries and affiliates which participate with SBA in its surety bond program. In his position as Vice President, he is not involved in the company's surety bond portfolio or with SBA in any way.

He is also participating in a 401(k) retirement plan which has as part of its portfolio a small amount of SPC stock.

On February 3, 1989, the SBA Standards of Conduct Committee determined that such employment and stock interest would not create an appearance of a conflict of interest, provided Ms. Engeleiter disqualify herself from any official dealings on matters involving SPC or any of its affiliates.

On March 28, 1989, Ms. Engeleiter submitted a letter to the Chairperson, Standards of Conduct Committee, advising that, as Administrator, she would recuse herself from any official actions, recommendations, or decisions involving any past or future SBA assistance to SPC or any of its subsidiaries or affiliates. A copy of that letter is enclosed for your review. In addition, she advised that she would further recuse herself from any official actions, recommendations, or decisions involving the SBA Surety Bond Guarantee Program, and would disclose no nonpublic SBA information regarding the Surety Bond Program or SPC to her spouse.

Upon assumption of her duties as SBA Administrator, it is her intention to delegate her authority with respect to these matters to the Deputy Administrator of the SBA.

2. Schedules A, C and D disclose that Ms. Engeleiter holds the position of an elected State Senator in the State of Wisconsin. We have been advised that she has resigned from that position.

3. Schedule D, "Positions Held," discloses that Ms. Engeleiter is a member of the Aurora Health Care Board of Directors (holding company for St. Luke's Medical Center and Sinair Samaritan Medical Center, Milwaukee, Wisconsin. We have been advised that she has resigned from that position.

In addition to the above, the nominee's Financial Disclosure Report contained a number of items which required clarification or expansion. We have received this information and have so annotated the Report.

Based upon the foregoing, it is my opinion that Susan S. Engeleiter's proposed position as Administrator of the Small Business Administration will not involve a conflict of interest under the Ethics in Government Act of 1978, as amended, the Small Business Act, as amended, the regulations promulgated thereunder, or other applicable conflicts or standards of conduct law.

Sincerely,

Martin D. Teckler

Martin D. Teckler
Designated Agency Ethics Official

Enclosure

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

APR 28 1989

Mr. Larry R. Parkinson
Chairperson
Standards of Conduct Committee
1441 L Street, N.W. Room 700
Washington, D.C. 20416

Dear Mr. Parkinson:

Pursuant to the February 3, 1989, determination of the Standards of Conduct Committee, I hereby recuse myself during my tenure as consultant for, or Administrator of, the Small Business Administration (SBA), from any official actions, recommendations, or decisions involving any past or future SBA assistance to the St. Paul Companies, St. Paul, Minnesota, or any of its subsidiaries or affiliates.

In addition, I further recuse myself from any future official actions, recommendations, or decisions involving the SBA Surety Bond Guarantee Program, as authorized by § 410, et seq., of the Small Business Investment Act of 1958, as amended (15 U.S.C. 694a), and hereby agree to disclose no nonpublic SBA information regarding either the SBA Surety Bond Guaranty Program or any official actions, recommendations or decisions involving any past or future SBA assistance to the St. Paul Companies, or any of its subsidiaries or affiliates to my husband, Gerald Engeleiter.

Upon assumption of my duties as Administrator of SBA, it is may intention to delegate my authority with respect to these matters to the Deputy Administrator.

Sincerely,

Susan Engeleiter

Susan S. Engeleiter

SF 278 (Rev. 1/87)
5 CFR Chapter 734
U.S. Office of Personnel Management

Financial Disclosure Report

Reporting Status (Check Appropriate Box)		Agency Use Only	OGE Use Only	Date of Appointment, Candidacy, Election or Nomination (Mo., Day, Yr.)	Termination Date (If Applicable) (Month, Day, Year)
☐ Incumbent	☒ New Entrant, Nominee, or Candidate ☐ Termination Filer		31		

Reporting Individual's Name	Last Name: Engeleiter	First Name and Middle Initial: Susan S.
Position for Which Filing	Title of Position: Administrator	Department or Agency (If Applicable): Small Business Administration
Location of Present Office	Address (Number, Street, City, State and ZIP Code): Room 409 South, State Capitol Madison, WI 53707-7882	Telephone No. (Include Area Code): (608) 266-0390
Position(s) Held With the Federal Government During the Preceding 12 Months (If Not Same as Above)	Title of Position(s) and Date(s) Held: None	
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Senate Committee on Small Business	Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☒ No

Certification	Signature of Reporting Individual	Date (Month, Day, Year)
I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief.	Susan S. Engeleiter	1/31/89
Other Review (If desired by agency)	Signature of Other Reviewer	Date (Month, Day, Year) 3/31/89
Agency Ethics Official's Opinion	Signature of Designated Agency Ethics Official/Reviewing Official	Date (Month, Day, Year)
The information contained in this report discloses no conflict of interest under applicable laws and regulations.	Marlene D. Tackler	3/31/89
Office of Government Ethics Use Only WEA 4/3/89	Signature	Date (Month, Day, Year)
		4/3/89

Reporting Periods

Incumbents: Complete Schedules A, B, C, and Part I of D. The reporting period is the preceding calendar year except for Part II of Schedule C and Part I of Schedule D where you must also include any positions held or agreements or arrangements made from the beginning of the filing year until the date you file.

Termination Filers: Complete Schedules A, B, C, and Part I of D. The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination.

Nominees, New Entrants and Candidates for President and Vice President: Complete Schedules A (except for BLOCK D), C, and D. (Candidates do not file Part II of Schedule D.

- **Schedule A**—The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets in BLOCK B as of any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part I** (Liabilities)—The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part II** (Agreements and Arrangements)—Show any agreements or arrangements as of the date of filing.
- **Schedule D**—The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.

Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet)

see individual items

(Check box if comments are continued on the reverse side) ☐

PREVIOUS EDITION USABLE

278-110

NSN 7540-01-070-5444

SF 278 (Rev. 1/87)
FPM Chapter 734
U.S. Office of Personnel Management

OMB No. 3209-0982

Reporting Individual's Name	Assets and Income	Page Number		Schedule A
Susan S. Engeleiter				

All Filers: In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. **Exclude** your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

All Filers: In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

All Filers: In BLOCK C report the type and amount of income exceeding $100 received from the assets and other sources of income listed in BLOCK A. You must report the **actual amount** of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

Incumbents and Termination Filers only: In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

BLOCK A Assets & Income Sources	BLOCK B Valuation of Assets	BLOCK C Income		BLOCK D Transactions Test
Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐	Category of Value (X): None (or less than $1001) / $1,001-$5,000 / $5,001-$15,000 / $15,001-$50,000 / $50,001-$100,000 / $100,001-$250,000 / Over $250,000	Type of Income (X): Dividends / Rent / Interest / Capital Gains / Excepted Trust / Qualified Trust / Other (Specify Type)	Category of Amount of Income (X): None (or less than $101) / $101-$1,000 / $1,001-$2,500 / $2,501-$5,000 / $5,001-$15,000 / $15,001-$50,000 / $50,001-$100,000 / Over $100,000	Actual Amount Only if "Other" Specified / Date (Mo., Day, Yr.) Only if Honoraria	If yes, complete Schd. B Part I for those assets including those sold for a loss. YES / NO
S or DC — Examples: X Y Z Common; Doe Jones & Smith, Hometown, USA		X / ptnrshp income	X	— / $50,000	X
1 S The St. Paul Companies, Inc., St. Paul, MN		Salary	Over $1000		
2 State of Wisconsin, Madison, WI		Salary	1988-$29,992; 1989-~~$2500~~ 7,500	To Date and Final	
3 JT First Wisconsin-Brookfield, Brookfield, WI	X Checking Account	X	X		
4 S IRA 576 Shares-Growth Fund, AMEV Investors *	X	X X	X		
5 S IRA 229 Shares-Growth Fund, AMEV Investors *	X	X X	X		
6 Benefits held in Wisconsin Retirement *	X	X X	X		
7 S Deferred Compensation payable by St. Paul	X	deferred compensation	X		
8 S 401(k) Account, St. Paul Companies, Inc. *	X	X X	X		
9 (See attached for complete addresses)					
10 * DAEO has determined that the asset is made up of a widely diversified number of individual components					

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278-210

1. The St. Paul Companies, Inc.
385 Washington Street
St. Paul, MN 55102

2. State of Wisconsin
State Capitol
Madison, WI 53707

3. First Wisconsin-Brookfield
205 N. Moorland Road
Brookfield, WI 53005

4. Personal Property - Household goods - NOT income producing.

5. IRA 576 Shares-Growth Fund
AMEV Investors, Inc.
P.O. Box 64284
St. Paul, MN 55102

6. IRA 229 Shares-Growth Fund
AMEV Investors, Inc.
P.O. Box 64284
St. Paul, MN 55102

7. Benefits held in Wisconsin Retirement Employee Trust Fund
P.O. Box 7930
Madison, WI 53707

8. Deferred Compensation payable by
St. Paul Companies, Inc.
385 Washington St.
St. Paul, MN 55102

9. 401(k) Account
St. Paul Companies, Inc.
385 Washington St.
St. Paul, MN 55102

SF 278 (Rev. 1/87)
FPM Chapter 734
U.S. Office of Personnel Management

OMB No. 3209-0366

Reporting Individual's Name

Susan S. Engeleiter

Page Number		Schedule C

Part I
Liabilities

All Filers: Report liabilities over $10,000 owed to any one creditor at any time during the reporting period by you, your spouse or dependent child. Check the highest amount owed during the reporting period. Exclude a mortgage on your personal residence unless it is rented out, loans secured by automobiles, household furniture or appliances, and liabilities owed to relatives. See instructions for revolving charge accounts.

NONE ☐

	Creditor (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (X) $10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
S or DC	Examples: First District Bank, Washington, DC	Mortgage on rental property, Rehoboth Beach, Delaware	1981	13%	25 yrs.			X		
	John Jones, 123 J St., Washington, DC	Promissory note	1979	10%	on demand	X				
1	First Wisconsin-Brookfield, 205 N. Moorland Road Brookfield, WI 53005	Consumer Single Payment Loan	1986	9.5%	1 year X renewable					
2	First Wisconsin-Brookfield, 205 N. Moorland Road Brookfield, WI 53005	" "	1988	Prime +1/2%	90 day renewable	X			X	Over
3										
4										
5										
6										

Part II
Agreements Or Arrangements

All Filers: Report your agreements or arrangements for future employment, leaves of absence, continuation of payment by a former employer (including severance payments), or continuing participation in an employee benefit plan. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

NONE ☐

Status and Terms of any Agreement or Arrangement	Parties	Date (Mo., Yr.)
Example: Pursuant to partnership agreement, will receive capital account & partnership share calculated on service performed through 11/83	Doe Jones & Smith, Home town, USA	7/75 ptnership agmnt.
Will resign current postion as Wisconsin State Senator immediately after confirmation by U. S. Senate. Salary as State Senator will continue until such date. Will retain a retirement account with the State of Wisconsin, Retirement Employee Trust Fund. The State of Wisconsin will continue health insurance benefits until Federal Government program takes effect.	State of Wisconsin 53707-7882	
Nominee has resigned - No insurance overlap		

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278-109

SF 278 (Rev. 1/87)
Filed Chapter 73I
U.S. Office of Personnel Management

Form Approved
OMB No. 3209-0002

Reporting Individual's Name
Susan S. Engeleiter

Page Number		Schedule D

Part I
Positions Held Outside U.S. Government

All Filers: Report any positions held during the applicable reporting period. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities or those solely of an honorary nature.

NONE ☐

Organization (Name and Address)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples: Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/82	6/83
Doe Jones & Smith, Hometown, USA	Law firm	Partner	7/78	11/83
Aurora Health Care Board of Directors (holding company for St. Luke's Medical Center and Sinai Samaritan Medical Center), 300 Montana Avenue, Milwaukee, WI 53215-3628	Medical Center	Board Member	1987 to present	will resign if confirmed by the U.S. Senate
Nominee has resigned				

Part II
Compensation In Excess Of $5000 Paid by One Source

Nominees and New Entrants only: Report sources of such compensation received by you or your business affiliation for services directly provided by you during the reporting period. This includes the names of clients and customers of any corporation, firm, partnership or other business enterprise, or any nonprofit organization, when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

NONE ☐

Source (Name and Address)	Brief Description of Duties
Examples: Doe Jones & Smith, Hometown, USA	Legal services
Metro University (client of Doe Jones & Smith) Hometown, USA	Legal services in connection with university construction
State of Wisconsin, State Capitol Madison, WI 53707	Salary as Wisconsin State Senator
Nominee has resigned.	

PREVIOUS EDITION USABLE

278-1SB

STEVE GUNDERSON
3d District, Wisconsin

MEMBER
AGRICULTURE COMMITTEE
EDUCATION AND LABOR
COMMITTEE

227 Cannon House Office Building
Washington, DC 20515-4903
202-225-5506

DISTRICT OFFICE:
P.O. Box 247
438 North Water Street
Black River Falls, WI 54615-0247
1-800-472-6612
715-284-7431

Congress of the United States
House of Representatives
Washington, DC 20515-4903

April 4, 1989

The Honorable Dale Bumpers
Chairman
United States Senate Committee on Small Business
428A Russell Senate Office Building
Washington, D.C. 20500

Dear Mr. Chairman:

On Thursday, April 6, 1989, you will consider the President's nomination of Susan Engeleiter to become the Administrator of the Small Business Administration. I am most pleased to submit these comments to you in strong support of that nomination.

I have known Sue Engeleiter since attending the University of Wisconsin-Madison. Following graduation, we both chose the same career path and were fortunate, in 1974, to be given the unique privilege and opportunity to serve as members of the Wisconsin State Legislature.

Throughout her tenure in the state legislature, Sue has been a conscientious and innovative legislator; one who frequently garners support and builds consensus amidst a diverse body. Her commitment and ability to lead is universally praised, and Sue's election to the posts of Senate Assistant Minority Leader and Minority Leader certainly reflect the respect and admiration of her peer's.

Because Sue spent the past 15 years in public service in the Wisconsin State Legislature, she has a particularly keen understanding of the problems of small business in rural America. I am especially encouraged by Sue's commitment to use the Small Business Administration as a vehicle to assist rural communities, through small business development, in the all-important task of rural economic development.

Finally, Sue understands the dynamics of the entreprenuerial spirit and small businesses. As the daughter of a small business owner, Sue has learned the necessity of an unyielding

work ethic, dedication to getting the job done and, most importantly, a special compassion for the small businessperson.

This combination of legislative experience, legal expertise, and management skills, together with a positive midwestern work ethic, will make Sue Engeleiter an able and articulate spokesperson and advocate on behalf of America's small business community.

Respectfully,

Steve Gunderson
Member of Congress

SG:kad

NATIONAL SMALL BUSINESS UNITED

"Serving America's small businesses since 1937"

March 30, 1989

The Honorable Dale Bumpers
U.S. Senate Committee on Small Business
428A Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Bumpers:

It is with great pleasure that I write you endorsing President Bush's nomination of Susan Shannon Engeleiter to be Administrator of the Small Business Administration (SBA).

National Small Business United (NSBU) is the nation's oldest small business association advocating the interests of the small business community to the Federal Government. NSBU currently represents over 50,000 small businesses and 27 regional organizations. NSBU has long been the leading volunteer driven small business advocacy group.

We have been impressed with Senator Engeleiter's background, leadership abilities, and tenacity. Our members in her home state of Wisconsin have favorably described her qualities and achievements as a state representative, staff person to Governor Lee Sherman Dreyfus, state senator and, especially as Minority Leader in the State Senate. In each of these positions, Senator Engeleiter has demonstrated her empathy for and interests in the problems and challenges facing small business. More important, she has been a player in crafting solutions to those problems and challenges.

This is a personal pleasure for me, Mister Chairman. Senator Engeleiter has been my state senator for nine years. It is with a special joy that I have watched her leadership on a broad range of issues. Her entrepreneurial approach no doubt stems from her upbringing in a family operating a small business.

We expect Senator Engeleiter to be a superb SBA Administrator. We applaud the President's nomination and urge prompt and unanimous advice and consent.

Sam Hope

Samuel N. Hope III
Legislative Chairman

1155 15th Street N.W. Suite 710, Washington, DC 20005
Telephone: (202) 293-8830 Telecopier: (202) 872-8543

State of Wisconsin

GARY R. GEORGE
SENATOR

March 28, 1989

Senator Dale Bumpers, Chair
Small Business Committee
United States Senate
Washington, D.C. 20510

Dear Senator Bumpers and Committee Members:

I am writing to express my support for the confirmation of Susan Engeleiter as the Executive Director of the Small Business Administration.

Senator Engeleiter has an outstanding record of legislative achievement, having been involved with several bipartisan efforts and is respected by her colleagues, Republican and Democratic alike. She is intelligent, articulate and possesses the ability to build a consensus. She successfully served as minority leader in the Senate from 1985-1989 and established a good working relationship with Democratic leadership. Senator Engeleiter has also been a strong proponent of economic development, particularly among small businesses.

Senator Engeleiter would be well-qualified to serve as the Executive Director of the Small Business Administration. Her skills and legislative experience have prepared her well to effectively carry out the administration of the this important agency. I hope that you and the members of the Small Business Committee will support her confirmation.

Sincerely,

Gary R. George

GARY R. GEORGE
State Senator
Sixth Senate District

GRG/scm

P.O. Box 7882, Madison, Wisconsin 53707-7882; 608/267-9695

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN
WISCONSIN DIVISION

1708 Tulip Lane
Wausau, WI 54401
April 3, 1989

The Honorable Dale Bumpers
Senate Small Business Chair
United States Senate
Washington, D.C. 50512

Dear Senator Bumpers:

On behalf of the Wisconsin Division of the American Association of University Women, I would like to recommend without reservation Wisconsin State Senator Susan Engeleiter, an AAUW member, to head the Small Business Administration.

Susan Engeleiter is a very capable, knowledgeable and competent individual. She has committed the past twelve years to public service as a state legislator in the Assembly and Senate and served with distinction as Senate Minority Leader. The twelve years are ample evidence of the public trust and confidence which was placed on her to maintain a concerted and sustained effort to meet the varying needs of her district constituents.

Susan was not always able to vote for AAUW backed legislation if she felt the interests of business and the State of Wisconsin were not well served. We have always felt Susan keeps an open mind and proposes solutions to the issues.

The American Association of University Women highly recommends Wisconsin State Senator Susan Engeleiter.

Sincerely,

Dido R. Nash

Dido R. Nash
President

WMC
REPRESENTING WISCONSIN BUSINESS

James S. Haney, President

Executive Directors
James A. Buchen, Government Relations
Bonnie L. Krebsbach, Corporate Relations
James R. Morgan, Communications
Susan B. Schneider, Systems/Finance

March 30, 1989

The Honorable Dale Bumpers
Small Business Committee Chairman
United States Senate
Washington, D. C. 20510

Dear Senator Bumpers:

We are writing to express our Association support of Susan Engeleiter as Administrator of the Small Business Administration. In her 14-year career as a Wisconsin legislator, Susan Engeleiter has shown herself to be a tireless advocate of business and has a thorough understanding of the problems of small business. In the last two sessions of the legislature, she had a 100 percent voting record on issues of importance to business in our state.

Susan has achieved the respect of her peers in the legislature, having served as minority leader of the senate. She is also widely known and respected among members of the business community. We believe that she possesses the necessary skills to be an outstanding Administrator of the Small Business Administration.

Sincerely,

James S. Haney

James S. Haney
President

ms

WISCONSIN MANUFACTURERS & COMMERCE
501 East Washington Avenue, P. O. Box 352, Madison, WI 53701, Phone: (608) 258-3400, FAX: (608) 258-3413

National Association of Home Builders

15th and M Streets, N.W., Washington, D.C. 20005
Telex 89-2600 (202) 822-0200 (800) 368-5242

Shirley McVay Wiseman
1989 President

April 3, 1989

The Honorable Dale Bumpers, Chairman
Committee on Small Business
SR-428A Senate Office Building
Washington, D.C. 20510

Dear Chairman Bumpers:

On behalf of the 157,000 members of the National Association of Home Builders (NAHB), I would like to extend our strong support for the nomination of the Honorable Susan S. Engeleiter for the position of Administrator of the Small Business Administration.

Ms. Engeleiter's leadership in the State Senate of Wisconsin won her the respect of her colleagues as is evidenced by her election as the Minority Leader. She is a recognized leader and a voice that business listens to on a wide range of issues. She established a strong record of leadership on issues of concern to small business and a broad understanding of issues relevant to the housing industry.

I urge the Committee to confirm Ms. Engeleiter as the Administrator for the Small Business Administration.

Sincerely,

Shirley McVay Wiseman
President

Where Will
Our Children Live?

STATE OF WISCONSIN
WISCONSIN WOMEN'S COUNCIL
16 NORTH CARROLL ST., SUITE 720 • MADISON, WISCONSIN 53702 • TELEPHONE (608) 266-2219 or 266-2285
REPRESENTATIVE SUSAN VERGERONT
CHAIR
HANNAH ROSENTHAL
EXECUTIVE DIRECTOR

April 3, 1989

Honorable Dale Bumpers
Small Business Committee Chair
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman,

I am writing to personally request that your committee vote to recommend the Senate conformation of the appointment of State Senator Susan Engeleiter as Director of the Small Business Administration. I can not speak on the behalf of the entire Women's Council because we will not have another executive meeting until the end of April. However, I am sure that we would all enthusiastically applaud the prospect of a capable woman like Senator Engeleiter being appointed to this very important post.

The Wisconsin Women's Council has recognized that women business owners play an increasingly important role in the American economy. "Women in Business" is one of our priority areas of emphasis for this year.

In her career as a Wisconsin legislator, Senator Engeleiter has shown a high degree of knowledge of and support for the concerns of small business. She has been an enthusiastic advocate for entrepreneurs and new business start ups. I am especially aware of Senator Engeleiter's commitment in these areas as I am the ranking member on the Assembly Committee on Small Business, Employment and Training.

On a personal note, I have known Susan both as a colleague and a friend. I can say with out qualification that she would do an outstanding job overseeing this important agency. She is articulate, intelligent, imaginative and a tireless worker. She is a fine woman with high moral values and high expectations for herself and others.

I thank you in advance for your consideration of this recommendation and, again, ask for a positive vote.

With best regards, I am,

Sincerely,

SUSAN B. VERGERONT
State Representative
60th Assembly District

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

RICHARD L. LESHER
PRESIDENT

1615 H STREET, N.W.
WASHINGTON, D.C. 20062
202/463-5300

April 5, 1989

The Honorable Dale Bumpers
Chairman
Committee on Small Business
United States Senate
Washington, D.C. 20510

Dear Dale:

On behalf of the U. S. Chamber and its more than 180,000 members, I am pleased to endorse the nomination of State Senator Susan S. Engeleiter as Administrator of the United States Small Business Administration.

Ms. Engeleiter's experience, leadership and public service make her uniquely qualified for this position. Her legislative initiatives and her loyalty to small businesses in the state of Wisconsin exemplify the voice that small business needs in the United States.

The U.S. Chamber urges the Committee on Small Business to report favorably the nomination of Susan S. Engeleiter.

Sincerely,

Richard L. Lesher

cc: The Honorable Rudy Boschwitz
Committee Members

WOMEN'S CAMPAIGN FUND

April 6, 1989

Senator Dale Bumpers
U.S. Senate Committee on Small Business
428A Russell Senate Office Bldg.
Washington, D.C. 200510

Dear Senator Bumpers,

The Women's Campaign Fund, the nation's oldest and largest bipartisan political committee serving women candidates, enthusiastically endorses the nomination of Senator Susan Engeleiter as Administrator of the Small Business Administration.

The Women's Campaign Fund supported Senator Engeleiter first in 1978, in her second bid for the Wisconsin State Assembly. Most recently, the Women's Campaign Fund supported Senator Engeleiter in her 1988 campaign for the U.S. Senate. Engeleiter has served in the Wisconsin legislature for 12 years -- elected in 1976 to the State Assembly, four years later she went on to win a seat in the Wisconsin State Senate, where she served as Republican leader from 1984 to 1988.

Senator Engeleiter's leadership on issues of importance to women -- her advocacy of child care, teen pregnancy education programs, and economic opportunity for women -- have encouraged WCF to support her candidacy in Wisconsin and her current nomination to head the Small Business Administration.

More importantly, Senator Engeleiter's commitment to women's success, in business and in politics, makes her a symbol of women's leadership. As Administrator of S.B.A., Engeleiter can serve as a role model to the young women just entering business or politics, and to the many women moving up in both arenas.

The Women's Campaign Fund fully supports the nomination of Susan Engeleiter as Administrator of the Small Business Administration, and looks forward to her advocacy for women in business across the nation.

Sincerely,

Jane Danowitz
Executive Director

815 15th Street N.W., Suite 601, Washington, D.C. 20005 (202) 638-3900

Chairman BUMPERS. I have a number of questions for Ms. Engeleiter, some of which may be submitted for the record. At this point I will recognize Senator Boschwitz, the Committee's Ranking Member for any comments he may have and then turn to the distinguished Senators from Wisconsin who will introduce the nominee.

Ms. Engeleiter should feel free to introduce any family members of hers that may be present. Then other Members of the Committee will be recognized for opening statements before we turn to questions. I will ask the nominee to reserve her opening remark until all Senators have been recognized for comments. Senator Boschwitz.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator BOSCHWITZ. Thank you, Mr. Chairman. I welcome Susan here to the Committee as well.

Chairman BUMPERS. She is Susan to you? [Laughter.]

Senator BOSCHWITZ. Sure. We have known one another for a couple of years now. Indeed, we have worked together on a number of things and I have gotten to know her well, Mr. Chairman. Also have come to recognize her leadership abilities, her intelligence and her character, and I think that the President's choice is an excellent one.

She is a neighbor of ours; as you know, Wisconsin borders up against Minnesota. Indeed, her husband works in Minnesota so that I have known him over a period of years as well. So as you said, Mr. Chairman, she is a distinguished legislator who has made some firsts in her State and in her career at a young age. She will do a good job, I am sure, at the SBA.

I should say a word too, Mr. Chairman, about our colleague Jim Abdnor who really left a good track record over at the SBA, an agency that had run upon hard times. He has left a good legacy for Susan, Ms. Engeleiter; I think she is just the person to build on it and to expand on it and to bring new and added luster to the Small Business Administration, so I welcome her here.

Chairman BUMPERS. Thank you. Senator Baucus.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM THE STATE OF MONTANA

Senator BAUCUS. Thank you, Mr. Chairman.

Ms. Engeleiter as you know, one of the greatest problems facing our country in economic development is not so much east versus west or north versus south. It is, rather, urban versus rural and it is rural America that is suffering dramatically, has been suffering dramatically in the last several years for a lot of reasons.

And the Small Business Administration administrator is becoming more and more clear that not only SBA but many other agencies and other efforts must focus more on rural economic development. I must tell you that in my State, for example, we are losing people on a net basis. Montana lost population in 1987 because of poor economic growth. A lot of this, in fact most of it, is because of

the category of rural economic growth and development, there hasn't been any.

As you know in rural areas of America, the elderly are staying, but the young people are leaving. People with children get to the age where they can work, they can't find jobs so they leave. That is one of the main reasons we are losing population in rural America and that is why other States are also losing rural population.

And it is also clear, frankly, that it is because we have forgotten rural America. It is because of Federal and to some degree State, laisez faire policies that forget that we are not all one country, forget that there are people in rural America who are Americans too and I frankly think that it is not right that a person cannot find a job in the town he was born in, grew up in. It is not right he has to leave because there are no jobs.

It seems to me if a person wants to be able and works hard to find a job in the area he grew up in, he or she should be able to have that opportunity. Since the deregulation of telecommunications, AT&T breakups is great for New York residents, great for L.A. residents, lousy for rural area residents. Same as with the airline deregulation. It may be great for people living in the cities, they get lower airfare, erratic at times but it is lower, but lousy for people living in rural America. You can go on down the line. The policies of laissez faire and deregulation have very dramatically hurt rural America. I am asking you and will ask you some questions when it comes to the appropriate time to see what we can do to help build and rebuild rural America.

Senate Majority Leader, George Mitchell, has appointed a task force, and Agricultural Committee Chairman, Patrick Leahy is going to be Chairman of that task force on rural economic development. SBA has a very integral part in developing that program for rural America. Indeed, the revolving loan funds for telecommunications, revolving loan funds for more capital in rural America, we need to be sure that essential air service is locked in to the law, not up again, down again so that rural communities can depend on transportation. There are a long list of reasons why you have to have central air service in rural America. I think you know the reasons why we do.

Our national motto is E pluribis unum. That is one out of many. We are a country. Abraham Lincoln during another era of the American history said a house divided will fall. At that time we were not paying attention to a minority in America. This time we are not paying enough attention to another group in America. And I just urge you as a new SBA administrator to spend the primary focus of your time on rural economic development because it is desperately needed in America today.

Chairman BUMPERS. I am advised by staff that a very carefully orchestrated protocol had been established for this afternoon and I'm afraid I have deviated from that. I will try to get back on track now by recognizing the two distinguished Senators from Wisconsin Senators Kasten and Kohl, who have accompanied Senator Engeleiter here today. At this time the Committee recognize's Senator Bob Kasten.

98-663 0 - 89 - 3

STATEMENT OF HON. ROBERT W. KASTEN, JR., A U.S. SENATOR FROM THE STATE OF WISCONSIN

Senator KASTEN. Mr. Chairman, thank you. It is a pleasure for me to be here today to introduce Susan Engeleiter, President Bush's nominee for administrator of the Small Business Administration. Susan and I have been friends and colleagues for a long time. We both have our roots in southeast Wisconsin, we both served in the Wisconsin State Senate, and we both have made small business growth of State and a national priority.

So when I first learned that President Bush had asked Susan to serve as administrator of the SBA, I was thrilled because I have been following Susan's career for a long time and I recognize the depth of her commitment to small business success and job creation.

Throughout her distinguished tenure as a State lawmaker and especially as a minority leader of the Wisconsin State Senate, she has worked single-mindedly to promote the interests of small businessmen and businesswomen across our State.

So I am glad that the excellent service that Susan has been giving to her constituents in Wisconsin since 1974 will now be offered to a truly national constituency, all the Nation's small businesses as well as the many women, minority group members, veterans, and other Americans who want the opportunity to start their own enterprises.

Confirming Susan Engeleiter as administrator of the SBA will open a new chapter in SBA's history. She is talented, bright and energetic and I am confident that under her leadership the SBA will become one of the most powerful forces in the Federal Government for the creation of new and better jobs and the opening up of unprecedented new avenues of economic opportunity.

I am proud that the President has nominated Susan and I hope that our Committee will report favorably on her nomination and will recommend the nomination to be confirmed by the full Senate. Mr. Chairman, I thank you.

[The prepared statement of Senator Kasten follows:]

INTRODUCTION OF SUSAN ENGELEITER
BY U.S. SEN. BOB KASTEN (R-WIS)
APRIL 11, 1989

Mr. Chairman, it is a pleasure for me to be here today to introduce Susan Engeleiter, President Bush's nominee for Administrator of the Small Business Administration.

Susan and I have been friends and colleagues for a long time. We both have our roots in southeast Wisconsin; we both served in the Wisconsin State Senate; and we both have made small business growth a state and national priority.

When I first learned that President Bush had asked Susan to serve as Administrator of the SBA, I was thrilled -- because I've been following Susan's career for a long time, and I recognize the depth of her commitment to small business success and job creation.

Throughout her distinguished tenure as a state lawmaker, and especially as minority leader of the Wisconsin State Senate, she has worked singlemindedly to promote the interests of small businessmen and -women.

I am very glad that the excellent service Susan has been giving her constituents since 1974 will now be offered to a truly national constituency -- all the nation's small businesses, as well as the many women, minority group members, veterans and other Americans who want the opportunity to start their own enterprises.

Confirming Susan Engeleiter as Administrator of the SBA will open a new chapter in the SBA's history. She's talented, bright, and energetic, and I am confident that under her leadership the SBA will become one of the most powerful forces in the Federal Government for the creation of new and better jobs, and the opening-up of unprecedented new avenues of economic opportunity.

I'm proud that the President has nominated Susan, and I hope our Committee will report favorably on her nomination and will recommend the nomination be confirmed by the Senate.

Thank you, Mr. Chairman.

Chairman BUMPERS. Thank you, Senator Kasten. Next, we have Senator Kohl. We are honored to have you, Senator Kohl, and anxious to have your statement.

STATEMENT OF HON. HERB KOHL, A U.S. SENATOR FROM THE STATE OF WISCONSIN

Senator KOHL. Thank you, Mr. Chairman. Perhaps more than anyone else, I am really happy to be here today to introduce Susan Engeleiter to this Committee. [Laughter.]

As you know, Susan and I ran against each other last year. It was a hard campaign and from time to time things got a little difficult but overall, I believe Susan and I were able to have a really constructive debate about the future of our State and our Nation. And I certainly came out of that experience with a good deal of respect for Susan's ability, her toughness and her commitment to the ideal she believes in. She is clean, she is honest and I think she will be an excellent head of the Small Business Administration.

Wisconsin is a very progressive State. We have had some great success in testing innovative ideas for developing small business. I am sure that Susan will bring some of the tradition for innovation and experimentation with her. I hope the Committee will look upon her application with favor and in the event that it does, I look forward to working with her in the years ahead.

Thank you, Mr. Chairman.

Chairman BUMPERS. Thank you very much, Senator Kohl. Since we have a quorum, and I know how difficult it is to get a quorum for this Committee I am thinking seriously about voting now. [Laughter.]

Before we hear from you, would you recommend that?

Ms. ENGELEITER. Yes.

Chairman BUMPERS. Senator Pressler.

STATEMENT OF HON. LARRY PRESSLER, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator PRESSLER. Mr. Chairman, I have a statement for the record which I will not read in its entirety, congratulating Ms. Engeleiter, also paying tribute to former Senator Jim Abdnor who did such a good job. We in South Dakota are very proud of the job he did while head of the SBA.

I join in Senator Baucus' statements regarding rural America, the building up of small cities and towns, counties, and job development. I think the SBA can play a very important role in that area. 99.9 percent of the businesses in South Dakota are classified as small and we are all familiar with the many obstacles that face the formation of small businesses.

The SBA made nearly 250 loans in South Dakota last year amounting to $36.5 million, a vital infusion of much needed capital assistance in our State. The job facing Susan Engeleiter is continued efficient operation of the agency that has proven so helpful.

I have additional remarks and also some questions for the record, Mr. Chairman. I may have to depart before long but I wanted to come by to wish Susan Engeleiter the best and I shall be voting for her or submitting a proxy for her.

[The prepared statement of Senator Pressler follows:]

STATEMENT OF
UNITED STATES SENATOR LARRY PRESSLER
BEFORE THE
COMMITTEE ON SMALL BUSINESS
APRIL 11, 1989

Mr. Chairman, thank you for your timely handling of this nomination. I expect wholehearted support for this nomination from this committee.

It's been about two years since this committee gathered to consider the nomination of James Abdnor to be Administrator of the SBA. Before the agency begins its transition to another Administrator in the person of Susan Engeleiter, I would like to take a moment to commend my former colleague in the United States Senate from South Dakota.

Jim's presence at SBA has meant improved morale among SBA personnel. It has meant a renewed dedication to the mission of the agency. I am also pleased to note that it has meant a new attention to the concerns of small businesses in rural America. As I welcome Susan Engeleiter as the new head of the SBA, I also extend my sincere appreciation to Jim Abdnor for a job well done.

Ninety-nine point nine percent of the businesses in South Dakota qualify as small. While we are all familiar with the many obstacles that face the formation of small businesses, I am pleased to say the environment in my state seems healthy. While new business formations are declining nationally, South Dakota continues to experience new growth. Business starts are up and business bankruptcies are declining.

Part of this success is due to the work of the SBA. The SBA made nearly 250 loans in South Dakota last year amounting to $36.5 million, a vital infusion of much-needed capital assistance. The challenge facing Susan Engeleiter is continued efficient operation of this agency that has proven to be so helpful.

Susan, I look forward to working with you and wish you the best at SBA.

Chairman BUMPERS. Thank you, Senator Pressler. Senator Harkin.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM THE STATE OF IOWA

Senator HARKIN. I want to welcome Ms. Engeleiter to the Committee. While I have not known her personally for a long time, we had a very good meeting in my office some few weeks ago, a lot of my friends in Wisconsin speak very highly of Ms. Engeleiter and I do know of her record in the Wisconsin Legislature and I believe she will bring a new vision and a new voice and a clear outlook to the Small Business Administration. I think it was an excellent choice by President Bush and I look forward to voting aye on her confirmation.

Thank you, Mr. Chairman.

Chairman BUMPERS. Senator Harkin has to leave. I am going to entertain a motion to this effect, that a quorum is present and that a motion be made to confirm or recommend to the Senate this nomination. Also, that any Member may withdraw or change his or her vote by 6 p.m. tonight. In addition those who are not present, may come by and cast their vote before 6 p.m. today. Staff will go home early if we don't make it 6 a.m. All the Committee Members not present should be notified by the staff immediately that they may be permitted to vote before 6 p.m. this afternoon.

Do I hear such a motion?

Senator BOSCHWITZ. I so move.

Senator HARKIN. Second.

Chairman BUMPERS. Motion made and seconded. All in favor, say aye.

[Chorus of ayes.]

Chairman BUMPERS. Opposed no.

[No response.]

Chairman BUMPERS. The motion is carried unanimously. Senator Grassley.

STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM THE STATE OF IOWA

Senator GRASSLEY. Thank you, Mr. Chairman. I have had an opportunity to visit with the candidate in my office as I am sure a lot of you did and I was very satisfied with her approach to issues dealing with small business and I know that you will be called upon to solve a lot of problems of small business, probably which neither your agency nor a lot of Government will be able to solve.

But I hope that in the process of you and your agency's work, that even though you can't solve those problems which are probably no fault of your agency or the solution doesn't rest in your agency, that you see yourself as an advocate for the interests of small business and not be shy in any way of speaking up either to the Congress or to the other agencies of the Federal Government when you see other Federal policy being detrimental to the cause of small business.

If you can do that, you will earn your money. The extent to which you do that plus carry out the programs effectively and efficiently, that will be a bonus for small business.

Thank you, Mr. Chairman.

Chairman BUMPERS. Thank you, Senator Grassley. Senator Bond.

STATEMENT OF HON. CHRISTOPHER S. BOND, A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator BOND. Thank you very much, Mr. Chairman. It is a pleasure to join with the rest of my colleagues in welcoming Senator Engeleiter, who many of us know well as Susan, and I am delighted to say that I think the President has made an outstanding nomination for this position.

You certainly have an outstanding record in your home State. I know you are going to do a terrific job at SBA and I know of your involvement in small business issues at the State level, which should be a great benefit to your role.

We have had a few words about some of the concerns and opportunities in the State of Missouri and I wanted to point out to you that I share with many Members of this Committee a strong interest in rural development issues which have already been mentioned and they range from expanding business financing opportunities to improving the telecommunications systems of rural schools and businesses. I think there are opportunities in that area which really can bring much more productive employment opportunities to rural America. We look forward to working with you on those.

I know that two of our colleagues, Senators Boschwitz and Baucus, have already done work on some innovative solutions to rural community problems. We are looking forward to the work of the Rural Development Task Force as well, which may be addressing other areas of opportunity within your jurisdiction.

I believe these proposals are an excellent start. I think that we can look forward to a productive partnership between this Committee and the Small Business Administration.

In addition to rural programs, obviously, SBA programs are very important to Missouri, include the Small Business Development Center Program, Small Business Innovation Research Program. We think we have a very fine SBDC Program in our State. It has helped many new and ongoing companies and our SBIR Program has been similarly successful with over 52 grants awarded to Missouri companies since its inception when I set it up in 1982.

I know you support these and the other fine SBA programs and we look forward to working with you. Thank you, Mr. Chairman.

Chairman BUMPERS. Thank you very much, Senator Bond. Senator Burns.

STATEMENT OF HON. CONRAD BURNS, A U.S. SENATOR FROM THE STATE OF MONTANA

Senator BURNS. Thank you, Mr. Chairman. I have no opening statement. I do have some questions, though, and before we go around the circle again and for the essence of time, I would like to proceed in that manner.

Chairman BUMPERS. Thank you, Senator Burns. Senator Stevens.

STATEMENT OF HON. TED STEVENS, A U.S. SENATOR FROM THE STATE OF ALASKA

Senator STEVENS. I will wait for the questions too, Mr. Chairman.

Chairman BUMPERS. Senator Kasten has already spoken. That leaves you, Senator Wallop.

STATEMENT OF HON. MALCOLM WALLOP, A U.S. SENATOR FROM THE STATE OF WYOMING

Senator WALLOP. Mr. Chairman, thank you.

Chairman BUMPERS. Incidentally, Senator Wallop, we have already voted on this if you would like to before you ever hear a word spoken here, you may vote on her nomination.

Senator WALLOP. What is it worth to you? [Laughter.]

It doesn't make any difference now anyway.

Chairman BUMPERS. It is more like a coronation, isn't it?

Senator WALLOP. I would certainly vote aye to all of that with pleasure and some real confidence, and just state, as you know, that my State as per capita America's leading small business State, provides the fundamental basis of our economy. Nothing is more important to us than the health of small business and a good, vigorous and intelligently operated Small Business Administration is key to that and I have every confidence that you will provide that.

Thank you.

Chairman BUMPERS. Ms. Engeleiter, you may proceed now.

STATEMENT OF HON. SUSAN S. ENGELEITER, A STATE SENATOR FROM THE STATE OF WISCONSIN

Ms. ENGELEITER. Thank you very much, Mr. Chairman. If it would be appropriate, I do have one family member who is with me today and I would like to introduce him. That is my husband Jerry, who is sitting behind me. He is very worried about the vote. That is why he was here. I think he is a little startled.

Chairman BUMPERS. We are very pleased to have you, Mr. Engeleiter.

Ms. ENGELEITER. Chairman Bumpers, Senator Boschwitz, and Committee Members, thank you very much for all of your comments and a special thank you to Senators Kasten and Kohl for introducing me to all of you here this afternoon.

In 1988 Senator Kohl and I found that when we got together, we always had a lot of TV cameras and I guess things haven't changed too much since then.

It is a very great honor for me to have been nominated by President Bush to serve as the administrator of the SBA and to appear before this Committee here today and I especially appreciate the speed with which you held this hearing.

I have had the opportunity to meet with almost all of the Members of the Committee prior to today and to exchange ideas, and I look forward to continuing to do that in the future. I have submitted written testimony and in the interest of time, Mr. Chairman, I would appreciate the opportunity to summarize those remarks.

As the Members of this Committee know, small businesses are one of the Nation's most powerful economic forces. Small businesses created two out of three jobs in the Nation over the last 10 years and two-thirds of all the job training that is done in the United States is done by small businesses.

Small Business' ability to create jobs is crucial to the Nation's continued economic revitalization in the next decade and in the next century. SBA is the principal Federal agency that is to champion small business. And even though the SBA is a small agency by Federal standards, I believe that its mission is very important to the economic health of our Nation and to our communities and our families.

The job or the role of the administrator of the Small Business Administration is twofold: First, to administer and to evaluate agency programs and, second, to be a strong advocate for small business. I would like to share with you what some of my priorities will be as Administrator, should I be confirmed.

First, I would like to work to make sure that the Small Business Administration remains strong and independent and make sure that SBA's crucial programs are not abandoned or destroyed. And based on my conversations with President Bush, I know that we share these goals.

I would like to work to gather input from small businesses across the country on issues that are vital to them and to speak out forcefully on those issues. I would like to work for a cooperative relationship with Members of Congress, such as yourself, and I would like to see to it that initiatives approved last year by you in Congress for the Women's Business Ownership Program are implemented, and to make sure that the SBA aggressively publicizes the assistance it offers to small businesses.

I would like to assure that there is timely implementation of the new regulations for the 8(a) Program and the Surety Bond Guarantee Program. And I would like to cooperate with all of you and other Members of Congress to develop legislation for rural economic development.

Lastly, I would like to work to reduce the redtape and the paperwork that is associated with many SBA programs. In conclusion, let me say overall that I regard SBA's programs as social investments of a very positive kind. They are investments that create jobs and they create increased tax revenues by providing assistance that in most cases is not available in the private sector without them.

Some of the Nation's biggest companies started out as small businesses with SBA help, companies like Nike Shoes and Federal Express, Apple Computer, Humana, Inc., and Winnebago Industries. But there are also countless of small businesses that aren't as famous around the country that, with SBA assistance, are helping in the area of community development.

Let me just give you two quick examples. One is Dee Hoovestal, a native American woman from Helena, MT, who received SBA help in 1983 for her construction company. The company since then has grown from five employees to 50 employees and now has yearly sales of $5 million. This year Dee was named one of the five winners of the SBA-Avon Women of Enterprise Awards.

The second example is Bob Gould of St. Louis who received an SBA loan in 1975 when he couldn't get one elsewhere to start a company making supplies for the graphic arts industry. Mr. Gould has now repaid all of his loans in full and every year he pays more in taxes to the Government than the total of all of his loans. His firm has grown from no employees, himself actually, 1 to 93, and last year he had $18 million in sales.

Mr. Gould's daughter, Elizabeth, the vice president of the company, was named the small business exporter of the year in 1985.

If confirmed, I look forward to continuing to manage and to improve these investments in the years to come. I thank you for the opportunity to share these thoughts and I look forward to your questions.

[The prepared statement of Ms. Engeleiter follows:]

Opening Statement Before the Senate Small Business Committee
For the Confirmation Hearing Of
Administrator-Designate Susan S. Engeleiter
U.S. Small Business Administration
Washington, D.C.
Tuesday, April 11, 1989

Mr. Chairman, Senator Boschwitz and members of the Committee, thank you for your remarks. Thank you, also, to Senator Kasten and Senator Kohl for their very kind introductions.

It is a great honor to appear before you today as President Bush's nominee for Administrator of the U.S. Small Business Administration. I appreciate the speed with which you have scheduled this hearing and the courtesy the members of this committee have shown me during the confirmation process.

During the last several weeks, I have made myself available to meet with each member of the committee. I have met with most of you to discuss your thoughts about the future of the SBA and the challenges facing the next Administrator. I trust we will meet often in the future to continue these exchanges.

I am genuinely excited about the mission of the Small Business Administration in the years ahead. As the members of this committee know well, small businesses are one of our nation's most powerful economic forces. Small businesses contributed about two of every three new jobs to our economy over the last 10 years. Two thirds of the initial job training in our nation is provided by small firms.

As we enter a new decade and prepare for a new century, our nation faces a continuing need for economic revitalization. Our country must become an incubator of innovation and entrepreneurism. We must create new opportunities to export American goods and services. We must help revitalize those parts of rural America that continue suffering economic anemia. We must foster new business opportunities for women and minorities.

In all of these areas, the ability of small business to generate new ideas and new jobs will be crucial.

That fact makes the Small Business Administration crucial, too. The SBA is the Federal Government's principal champion of small businesses. Thus, while the SBA is a small agency by federal standards, its mission is extremely important to the economic health of our nation, our communities and our families. That is why I gratefully

accepted the President's nomination to become the Agency's next Administrator.

Mr. Chairman, I believe President Bush has assembled an extremely capable team to assist in America's continued economic revitalization. If I am confirmed, I will work hard as a member of this team. I would like to spend a few minutes describing what some of my priorities will be if I am confirmed.

I believe the Administrator must serve two important roles. First, of course, he or she must efficiently administer and evaluate the effectiveness of the Agency's programs. Second, he or she must serve as a forceful advocate for small businesses.

A crucial part of both jobs is to be active and visible not only here in Washington, but around the nation. If I am confirmed, I will work energetically in the Capital and in the country to shape the Agency's priorities, to make sure the SBA remains independent and strong, and to represent the interests of small businesses.

I believe the SBA must continue working to improve its assistance to women-owned businesses, minority-owned businesses, firms that want to export, and rural small businesses.

In regard to women-owned businesses, I welcome the initiatives approved by Congress last session. I plan to continue and expand innovative efforts like the SBA's mentor program, which pairs successful women business executives with women starting their own companies.

In regard to minority-owned businesses, I will support timely implementation of the new 8(a) legislation passed by the last Congress. I am hopeful this legislation will help prevent the problems this program has experienced in the past.

In regard to international trade, I believe small businesses can play an important role in increasing American exports, and I favor aggressive action by the SBA to help small firms become active in the international marketplace.

In regard to rural development, the SBA must play a positive role. It is my understanding that Congress will consider legislation this session targeting small businesses for rural revitalization, and I look forward to working with you on that proposal.

In addition, I will make continuing efforts to reduce the paperwork and red tape of SBA programs. And I will

fight for the ethical integrity of this Agency to protect the future of the good and important programs it operates.

Mr. Chairman and members, for too many years now, the SBA has suffered from uncertainty about its future. I have come here today to tell you that the era of uncertainty is over. President Bush fully appreciates the importance of small business to the American economy, and the importance of the Small Business Administration to small businesses. President Bush was himself a small businessman. He and I have talked at length about the future of SBA, and that future is bright.

The Small Business Administration must do its part to reduce and eliminate the federal budget deficit. I will actively evaluate SBA's programs in terms of their benefits and costs. Yet, I will take great care to make sure that the Agency's crucial programs are not abandoned or destroyed. There is a difference between frugality and folly. It would be folly to destroy programs that meet needs the private sector cannot meet, and whose costs are outweighed by benefits in new jobs, new tax revenues and lower federal spending on programs to treat the many social diseases spread by joblessness.

This year, I am hopeful that the SBA budget process will be characterized by cooperation and good-faith negotiations. We already are off to an excellent start in the agreement reached last month between SBA, OMB and Congress on reprogramming to ease the funding shortage for the popular 7(a) guarantee loan program. I hope this agreement marks the beginning of a constructive new relationship between the Administration and Congress in regard to SBA. The spirit of cooperation must prevail if the SBA is to remain strong while addressing the needs both for deficit reduction and small business growth.

In recent years, the clamor of debate over the value of the SBA has drowned out the many stories that prove the worth of the Agency's programs. In Wisconsin, we lost 136,000 jobs during the last recession. Now, in the 22-month period that ended last November, Wisconsin ranked second in the nation in total employment growth. SBA played a vital role in that recovery. From 1984 to 1988, SBA loan guarantees helped retain or create nearly 61,600 jobs in Wisconsin. Last year alone, SBA loan guarantees helped create more than 3,000 new jobs, distributed among 532 small businesses paying more than $15 million in taxes.

The SBA has had similar successes nationwide. It surprises many people to learn, for example, that some of our nation's best known and largest companies began as small businesses, with the help of SBA. Among them are the Nike sport-shoe company; Federal Express; Apple Computer; Humana,

Inc.; and Winnebago Industries, the maker of recreational vehicles. Those five companies now employ more than 100,000 people and have annual sales of more than $10 billion.

Less spectacular, but equally important, are the countless stories of how the Small Business Administration has helped bring jobs to communities across our country.

One example is the case of Dee Hoovestal, a Native-American woman from Helena, Montana. Dee launched a small construction business in the late 1970s. In 1983, she sought assistance from the SBA for her company, Greenway Enterprises, Inc. She has used SBA's SCORE program, its 7(j) counseling program and its 8(a) government-contract program. Today, Greenway Enterprises has grown from 5 to 50 employees, and sales have grown from $554,000 to a projected $5 million this year. A few weeks ago, Dee was named one of five winners of this year's prestigious Avon/SBA "Women of Enterprise Awards."

In St. Louis, Bob Gould received an SBA loan in 1975 to help start National Graphics, a small business making silver-based film paper for the graphic arts industry. Over the years, Bob obtained three SBA loans and loan guarantees totaling $770,000. Today, Bob Gould has repaid those loans in full and his company pays more in annual income taxes than the combined loan total. His firm has grown to 93 employees with $18 million in sales. Bob's daughter Elizabeth, the vice president of the company, was named the National Small Business Exporter of the Year in 1985.

A final story: You may remember Mel Farr, the former All-American halfback for UCLA and star for the Detroit Lions. In 1980, Mr. Farr obtained a $200,000 SBA loan to expand his auto dealership in Oak Park, Michigan. That dealership employed 45 people and had $6 million in sales. Today, Mr. Farr's company employs 140 people, has sales of $58 million and is the 19th largest Black-owned car dealership in the nation.

Overall, Mr. Chairman, I regard SBA's financial and technical assistance programs as social investments of the most positive kind. They are investments in reducing unemployment and the social ills that accompany it. They are investments in Americans who have all the personal resources to become successful business operators, but who lack the technical and financial resources.

I look forward to the important job ahead and to working with you to see that the job is done. Thank you for the opportunity to share these thoughts, and I will be pleased to answer your questions.

Questions from Chairman Bumpers

Q. The Committee would like your views on the Administration's proposed FY 1990 budget for SBA and particularly on the following items.

1) What do you think would be the impact of the proposed increase in the guaranty fee of Sec. 7(a) loans from 2% to 5%? How would this affect participation in the program by borrowers and lenders?

2) What are your views for the similar proposed increases in guaranty fees for the Sec. 504 Development Company program and the SBIC program? Do you believe these large increases are justified by the actual loss rates on these programs?

A. At this time, I am not prepared to propose any changes to the budget that was submitted by President Reagan. After confirmation, I will have the opportunity to learn more about the mechanics of SBA programs and will better understand the relationship between the proposed fees and the expenses they are intended to offset. At that time, I may wish to discuss alternative proposals. In response to the specific questions:

1) Raising the guaranty fee would cause some borrowers and lenders to re-evaluate their participation in SBA programs. Some applicants may seek conventional financing because of the higher guaranty fee. However, the higher fee would likely decrease the direct outlays of tax dollars necessary to operate the 7(a) program.

2) As with any program, a change in the fees will cause program participants to reevaluate their participation. After I am more familiar with the Development Company and SBIC programs, I will be in a better position to determine if the proposed fee increases are justified by the loss rates.

Q. The Committee would like you to review the scale of user fees recently proposed by the Administration. (The Committee wrote to Senator Abdnor several weeks ago and asked that these increases be delayed until you could have an opportunity to review them.) It should be noted that such fees were prohibited by language in the agency's appropriation bill until last year, and that such action may be taken in the future if the agency and the Committee are not able to agree on a reasonable set of fees.

The Committee is particularly interested in your views with

respect to the fees proposed for SCORE training sessions and for Small Business Institute counseling. How do you think these fees will affect participation in these programs by businesses?

A. If I am confirmed, I plan to carefully review the Fiscal Year 1990 budget submission for SBA, including its proposed user fees for SCORE training, SBI counseling and other programs. I have no objection to user fees, in principle. A key question is whether a fee would significantly undermine a program by making it unaffordable to the people it is meant to serve.

Q. Will you consider preparing and submitting budget amendments for the Agency in line with the procedures allowed by OMB?

A. It's my understanding that OMB has invited agencies to submit alternatives, if they wish, to the budget proposals introduced in January. If, after review of the SBA budget, I determine that alternatives are desirable, I will work with OMB to develop those ideas. If amendments are necessary, they will be submitted consistent with established procedures.

Q. Please clarify the forms of SBA assistance available to residents of Alaska as a consequence of the recent tanker disaster. Particularly, what interest rates will apply to any loans which are available.

A. As the result of Administrator Abdnor's April 10, 1989 declaration of an economic injury disaster area in Alaska, economic injury disaster loans (EIDLs) are now available in the disaster areas. Small businesses and small agricultural cooperatives without credit elsewhere that have suffered substantial economic injury as a direct result of the disaster are eligible for working capital loans to help them maintain a reasonable working capital position during the period affected by the disaster. Substantial economic injury means the inability of a business to meet its financial obligations as they mature and to pay its ordinary and necessary operating expenses. This is a limited program and does not cover lost sales or lost profits.

The interest rate for these loans is 4% and term can be up to 30 years, depending on the ability of the business to repay the loan. The amount of the loan is based on the business' economic injury and its financial needs, with a maximum of $500,000.

Q. What are your views about the continued need for federal programs, such as the guaranteed lending programs of SBA, to help small business find capital for growth?

A. I believe the SBA's guaranteed loan programs are a needed and beneficial form of federal assistance to small businesses. In most cases, these programs exist to provide financial resources to new or existing businesses that cannot obtain them on acceptable terms from private sources. In these cases, SBA's programs are not competing with the private sector; indeed, they are of benefit to the private sector by creating new lending relationships between small businesses and banks - relationships that might not otherwise have been formed.

Q. Since its inception, the SBA 503/504 program has been one of the SBA's most effective economic development tools. SBA Certified Development Companies have created over 150,000 jobs nationwide using 503/504 loans to expand small businesses. The partnership of lenders, private interests and public officials that comprise the Board of a Certified Development Company permits the CDCs to occupy a unique niche in promotion of economic development and the creation of jobs in a community.

The CDC delivery system has proven itself to be both successful and cost-effective and is available to deliver a variety of services. How do you intend to utilize the CDC delivery system in the implementation of your priorities for the SBA? Are there specific services that you would like to see added to the CDC system? From a management perspective, do you agree that CDCs also provide a logical point of interface with the economic development programs of other agencies?

A. CDCs are intended to function as a resource center marshaling resources, whether financial or non-financial, for small business concerns in a way that will result in community economic development. While not all CDCs function as resource centers, many do. All CDCs provide fixed asset financing to small concerns through the 502 and 504 loan programs. Many CDCs help small business concerns get assistance under SBA's 7(a) loan program and other Federal and State loan programs. Some CDCs have revolving loan funds, manage small business incubators, provide management assistance and help with procurement assistance.

The resource center concept makes sense and it should be continued. However, CDCs should not be so focused on functioning as resource centers that they neglect to deliver SBA financial assistance programs for which they are

responsible. I intend to support the CDC delivery system and hope that it can be useful in the implementation of our priorities. At this time, it would be premature to identify specific services that should be added to the CDC system.

Finally, CDCs are a logical entity, especially in rural areas, to be the "point of interface" with the economic development programs of other agencies. This is the reason we certified many Regional Planning Commissions and Economic Development Districts to serve multi-county rural areas.

Q. Rural development has been a priority of the SBA, and Congress in recent years. The CDC industry responded to this interest by appointing a Rural Task Force which made recommendations to the SBA and Congress on ways to promote rural development using the 504 program. A number of these recommendations were signed into law as part of the Omnibus Trade Bill last year.

The CDC industry is committed to a continuing effort to promote economic development in the nation's rural areas. What initiatives have you identified for rural areas, and what role do you foresee for CDC's in implementing these initiatives?

A. I believe the SBA has an important role to play in economic development for rural areas that haven't shared in the nation's economic recovery. If I am confirmed, I will review the rural initiatives already underway in the Agency to determine which should be strengthened. I also plan to work with other key federal agencies to explore coordination of our efforts.

I look forward to working with CDCs to help get financial assistance to rural small businesses. Public Law 100-590 contains several provisions that will cause the development company loan programs to be more available to business in rural areas. As Administrator, I would plan to implement these provisions and identify other changes that can be made administratively to achieve our rural development priority.

Since I support the concept that CDCs should function as resource centers, they can expect to have a significant role in carrying out our rural development initiatives when they are developed.

Q. On March 23, 1989, SBA issued its proposed regulations to implement Public Law 100-656, the "Business Opportunity Development Reform Act of 1988." Section 801 (Regulations) prescribed a precise developmental process and a very tight

schedule for the issuance of both proposed and final regulations. Thus far, the agency has substantially compiled with that direction. The legislation also suggested increased reliance on promulgated regulations and less reliance on the Standard Operating Procedure (SOP) that had become the predominant source of policy guidance for the Minority Small Business and Capital Ownership Development (MSB/COD) Program. Finally, it has been suggested that some of the fundamental issues addressed by the legislation, such as the standards for determining "economic disadvantages", are not sufficiently precise to provide workable guidance to either a Program applicant, or even a current Program Participant.

During the process of considering the public comments and preparing the final regulations, will you continue the effort to make the published regulations, and not the SOPs, the primary policy guidance for the MSB/COD Program?

If the assertions concerning imprecision in the proposed regulations are substantiated by the public comment record, how would you propose to address this issue?

A. Concerning the issues of utilizing the proposed regulations as guides to the 8(a) program rather than the Agency's Standard Operating Procedures, it's my understanding that SBA has included far greater operational detail in the proposed regulations than in previous regulatory processes.

The Conference Report to Public Law 100-656 states that the conferees "understand that the [economic disadvantage] review will consider the firm's ability to compete and to access capital and loans in light of its balance sheet, its 8(a) and non-8(a) sales, the assets of its owners, and other similar factors--but will not turn on one factor, such as the personal net worth of the firm's owners." (Report 100-1070, page 58). This multi-faceted approach to determining economic disadvantage does not appear to be consistent with the establishment of a precise standard for such purpose. Therefore, SBA is proposing to rely on an instrument that will consist of three parts, corresponding to the three categories of factors to be analyzed: personal financial condition of the individuals claiming disadvantaged status, financial condition of the applicant concern and the applicant concern's access to capital and credit. In preparing its final regulations, SBA will give consideration to all comments related to this issue.

Q. Section 505 of Public Law 100-656 established a "Commission on Minority Business Development". Section 505 became effective on the date of enactment, November 17, 1988.

While Section 505(g) provided authorization for appropriations, concerns were expressed by SBA managers relating to SBA's ability to provide the funding to support start-up activities and subsequently, a reprogramming of SBA's appropriations was approved which provided funds adequate to support the Commission during the remainder of Fiscal Year 1989.

With necessary funding in place are there any remaining impediments to SBA's taking appropriate actions to facilitate the organization and commencement of the Commission's activities?

Would you provide the committee your estimate on when start-up activities will begin?

A. With the funding necessary to support start-up activities having been reprogrammed, no impediments remain to establishment of the Commission. Many individuals have expressed a desire to serve on the Commission. I expect the process to begin soon to select those individuals best qualified to serve.

Question from Senator Sasser

Q. What action would you take if you determined that in the Atlanta Region there were members of one minority group which misinterpreted and improperly applied on at least two (2) occasions SBA regulations thereby denying a contractor who is a member of a different minority group in the 8(a) program two (2) separate contracting opportunities within three (3) months?

A. I expect SBA employees to be knowledgeable concerning the applicable statutes, rules and policies governing the SBA programs in which they are assigned. I fully believe in and support the notion that professional employees of SBA discharge their responsibilities to their clients and to the Federal government in a fair and equitable manner. The interpretation of SBA's regulations must be the responsibility of SBA and its employees. As Administrator, my efforts would be to ensure that all of SBA's policies and regulations are consistently applied.

Questions from Senator Pressler

Q. The available funding for guaranteed loans continues to be a concern. What will you as Administrator do to find a solution to this perpetual short-fall?

A. Actually, the shortage in loan guaranty funds that developed this year is the first of its kind to occur in nearly eight years. This seems to have been the result of a combination of events. First and foremost is the growing realization among many lenders that the Agency remains in business after a great deal of public discussion about termination of the Agency and its programs. In addition, there was the increase in the statutory lending limit from $500,000 to $750,000.

But regardless of reasons, the recently approved reprogramming seems to have substantially improved the funding situation for this fiscal year. I believe that in the future, with careful planning by Agency management, and good communication with the Congress, such short-falls can be minimized.

Q. Do you support recent efforts at SBA to charge a $100 fee for Small Business Institute (SBI) services?

A. If confirmed, I would review this proposal, along with other user fees proposed by SBA. In regard to SBIs, I should note that SBA pays the institutes $400 for each study they perform for a small business. Businesses receiving this service currently pay nothing. Under the proposed fee, participating businesses would pay $100 for a $400 service, which may still be a very good deal.

There's another way to look at this. If the services provided by SBIs are worth a $400 payment by taxpayers, it's plausible that these services are worth a $100 payment by the business receiving them.

Nevertheless, it is important that we not impose any fee that would damage a program, and I will evaluate the proposed SBI fee on that basis.

Q. There are five Small Business Development Centers (SBDCs) in South Dakota that provide a much-needed and much-utilized service to entrepreneurs. What will be your commitment to SBA's involvement in the ongoing operation of Small Business Development Centers?

A. I believe that SBDCs perform a very valuable service for small businesses. The SBDC program has grown very quickly to

become a $45 million budget item in SBA. As you know, the Administration budget would "zero out" SBDC's in Fiscal Year 1990. As I understand it, the question is not whether SBDCs should continue operating. I think there is wide agreement that they should. The question is whether SBDCs should be graduated from federal funding, with their support taken over by state, local and private sources. Congress established a "sunset" date for federal funding of SBDCs, evidently recognizing that the federal role should be to help these centers get established rather than providing perpetual support. The key question, it seems to me, is whether SBDCs are ready for "graduation" - whether they are prepared to survive the shift to state, local and private funding. I do not yet know the answer to that question. It's an issue I would study as Administrator. Regardless of the funding question, however, I would hope that SBA would remain closely involved with SBDCs in delivering services to small businesses.

Q. Have you given any consideration to options for restructuring the SBA operation? Specially, what is your opinion of a movement away from the ten SBA regional offices to the district offices that have closer ties to the areas they serve?

A. As Administrator I would examine the entire SBA field structure and determine if changes should be made.

Questions from Senator Kerry

Q. As you know, one of the critical tasks we face is that of further incorporating successful minority owned companies into the mainstream of American business. As Chairman of the Subcommittee on Urban and Minority Owned Business Development, I feel that this task is important not only to those in the minority business community, but to U.S. economic competitiveness overall. As Administrator of the SBA, how do you intend to address the issue of minority business development?

A. I recognize and share the concern of the Congress in moving minority owned companies into the American business mainstream. Recent legislation (P.L. 100-656) enunciates clear directional signals which SBA is evaluating, particularly in regard to the proposed SBA regulations developed in recent months and published for comment March 23, 1989. I am committed to minority small business development in the broadest and most positive sense and believe that by properly focusing SBA's resources, that commitment will be realized.

Q. As I'm sure you know, the recent decision by the U.S. Supreme Court to invalidate Richmond, Virginia's minority set-aside program has caused widespread concern among the minority business community as well as among state and local governments operating set-aside programs as to the long term effects of this decision on minority business development. Does the SBA have any specific plans to address the inevitable repercussions of this decision on set aside programs at the state and local level.

A. I am very committed to the success of the SBA's set-aside program and I'm concerned about the impact of the Richmond decision on similar programs at state and local levels. Because the Richmond decision does not automatically overturn other state and local set-aside programs, the repercussions of this decision are not yet entirely clear.

As Administrator, it would be my intention to carefully monitor developments in state and local set-aside programs and watch for trends in access of minority-owned businesses to government contracts. Additionally, I would carefully follow future judicial decisions in this area that may threaten the viability of affirmative action programs at the federal, state or local level.

Q. In her opinion on the Richmond case, Justice O'Connor wrote that, in order to be considered constitutionally sound, any set aside program not at the federal level be subjected to "strict judicial scrutiny." What can SBA do to help states and localities to structure their programs so that they conform to "strict judicial scrutiny"?

A. While the Richmond case does invalidate Richmond's racial quota because of the absence of specific evidence that the city or its prime contractors had discriminated against minority-owned subcontractors, the decision does not have any automatic effect on other state or local minority preference programs. Other state and local affirmative-action programs may withstand constitutional challenges if supported by extensive documentation and statistical findings of specific discrimination.

To protect their affirmative-action set-aside programs from such challenges, many state and local governments will undoubtedly need to review the legislative history of these programs and ensure that legislative findings are carefully developed which document the impact of prior discrimination and the need for remedial solutions. Absent such findings, state and local set-aside programs may not withstand

constitutional challenges.

It is my understanding that many state and municipal attorneys have already gathered in Washington to review the factual elements that may be required to support a minority set-aside program. Additionally, state and local governments are engaging in further fact-finding to establish the necessary justification for their set-aside programs.

As state and local government officials endeavor to develop the necessary justification for their own set-aside programs, I would be willing to assist them in their fact-finding endeavors, in any way that I can.

Question from Senator Lieberman

Q. I know we are in agreement when I say that small business is an important component of continued economic growth. The SBA has under its auspices such varied responsibilities as Government procurement, research and development, foreign trade, and minority advocacy. All of these are key factors in economic growth, but they can not all receive equal attention. What are your views on the SBA's role of promoting economic expansion, and which SBA programs should receive the highest level of priority?

A. The highest-priority programs at SBA will change over time, of course, depending on economic and demographic trends. I consider all of the groups targeted by SBA programs to be very important.

During his campaign last year, President Bush emphasized two particular areas of SBA programming that he wants to see strengthened: its programs to assist women business owners and minority business owners. I concur with those goals. I will also emphasize strong SBA activity in a number of other areas, however.

Q. A top concern of mine, and a concern communicated to me by many small business owners in Connecticut, is the problem of an increase in inadequately trained labor. Increasing expertise is required in the work place but the level of trained and competent workers is declining. As Secretary Dole recently testified before the Senate Labor Committee, "900,000 high school students drop out annually, and the rate is close to 50% in some inner cities." Even those who remain in school are not necessarily being prepared for future jobs, because nearly 25% of recent high school graduates read below

the eighth grade level."

Louis Gerstner, President of American Express Co. stated in a recent editorial in the Washington Post that "we find people who can barely write - not even a phone message let alone a business letter. We see students' math scores plummeting- will they be able to keep our books? We are told that 20 percent of our sixth graders can not point to the United States on a world map - a depressing sign to a company built on worldwide travel arrangements." I mention Mr. Gerstner's frustrations here, because I am very concerned about the ability of small firms to compete with a company like American Express for an ever shrinking labor pool. What steps can the SBA take to address the skilled labor crisis facing small businesses?

A. I share your concern about the availability of qualified workers. Small businesses are especially affected by this problem. Two-thirds of all Americans obtain their first jobs in small businesses.

This is not a simple or easy problem for small businesses to address. I believe that in the not-too-distant future, small businesses will come under great pressure to design personnel and benefit policies that will help them attract and retain qualified workers. The SBA may well have a role in providing education and technical assistance to help small businesses in this process.

Small businesses can also play a role in making sure that tomorrow's workers are educated and motivated. In Wisconsin, I was a strong proponent of business-education partnerships, in which local businesses "adopted" local schools to provide scholarships, summer internships for students, special help for at-risk children, and a number of other services. Small businesses typically don't have as many resources as larger businesses, but most can provide some form of beneficial assistance to schools and to young people. It benefits businesses of all sizes to invest today in tomorrow's workers.

Q. I am particularly intrigued by the SBA's Small Business Innovation and Research Program. I am concerned with our lack of ability to compete in the research and development of new products and technologies. The SBIR program combines the power of individual entrepreneurs and government resources. Could you briefly state your thoughts on the program, and your views on the suggested increase in the set-aside percent?

A. Since program inception, in July of 1982, the Small

Business Innovation Research program has proven to be highly successful and most beneficial for small business high technology companies. Small businesses have always been the most innovative segment of our society and I am pleased that the Congress agrees with this. In 1986 the sunset provision of the program was extended for five years and it passed both the House and Senate with only one "no" vote. To date the program has received more than 75,000 proposals and made 12,000 awards totaling $1.4 billion. I fully support the SBIR program and look forward to increasing commercialization results.

The suggestion of increasing the extramural percentage to 3% came from the 1986 White House Conference on Small Business. More recently the Trade and Competitiveness Act directed the General Accounting Office to study and make a recommendation concerning an increase in percentage. The report is scheduled for June of this year. It may be premature at this time to recommend a percentage increase. The SBA's Office of Innovation and Research is in the second year of a four-year study evaluating in detail the commercialization aspects of the program. When that study is completed in 1991, we will be able to make a more informed judgment on any programmatic recommendations.

Q. I have long considered our trade deficit cause for unparalleled, long term concern. I am troubled by our inability to market our products overseas, while we are so dependent on imports. Paradoxically, we have great untapped export resources in our smaller firms. The export rate of small businesses is thought to be below 25 percent, and approximately 80 percent of small firms export less than $500,000 annually. I am intrigued, however, when I read that nearly half of the small businesses failing to participate in foreign export are failing to do so because of lack of information about foreign markets, lack of government support, and language barriers - all obstacles the SBA is well suited to address. Could you offer your views on this issue, and any plans you may have for additional SBA involvement?

A. I think small businesses can play a significant role in increasing America's exports and reducing its trade deficit. As you know, the SBA's efforts in this area have increased dramatically during the last 18 months or so. The SBA Office of International Trade has grown from 4 to 15 people and is engaged in some very aggressive programming. SBA participates with the Department of Commerce in "matchmaker" trade missions that help link small business operators with potential overseas buyers. Ten of these missions are scheduled this year. The Agency organized an extensive

teleconference on trade last year; this June, it is hosting the nation's first two conferences to educate small business people on the benefits of the U.S./Canada Free Trade Agreement. SBA also is organizing a national trade conference scheduled next March in Seattle and is inviting Commerce Department personnel stationed overseas to lead trade delegations from those countries to the conference.

In my view, there is a great deal more that can be done -- for example, to improve the access of small businesses to trade-related data and to help match small businesses with larger U.S. exporting businesses in mutually beneficial trade partnerships. My intention, if I am confirmed, is to invite other federal agencies involved in trade to collaborate with SBA on our next steps in making sure that small businesses have the knowledge and the resources they need to get involved in exporting.

Questions from Senator Carl Levin

Q. It is my understanding that the Small Business Development Center (SBDC) program has been successful, and that President Reagan's budget request for fiscal year 1990 requested no funding for this program. Do you personally believe the SBDC program should receive no funding? How will SBA provide the same services if no funding is requested for fiscal year 1990?

A. It would be my intention as Administrator of SBA to make an informed judgment on whether the current federal share of SBDC support can be successfully assumed by state, local and private resources, and to advise the President and OMB accordingly. It would be my hope that after SBDCs are graduated from federal funding, the SBA would continue working with the centers to deliver the Agency's programs to small businesses.

Q. The Reagan Administration was often at odds with the objectives of the SBA. What are your plans regarding holdovers from that Administration, and to what extent do you plan to bring in your own people to assist in your administration of the SBA?

A. I believe that the great majority of employees in SBA believe strongly in the Agency and its programs. I do not plan to summarily dismiss employees based on the fact that they were appointed to SBA by the Reagan Administration.

My intention, if I am confirmed, would be to evaluate each appointive position on a case-by-case basis. I would hope to achieve a healthy mixture of experience and fresh energy.

Questions from Senator Burns

Q. Montana is a sparsely populated state, but one which heavily utilizes SBA programs. I would imagine that the same is true of most rural states and yet the SBA funds the Small Business Development Centers on a populated-based formula. I wonder if you have any comments on that practice. And if as Administrator of SBA, you would be open to a change in that formula which would remove its slant against rural states.

A. I would be open to reviewing any formula regarding funds administered by the SBA to make sure those funds are fairly and equitably distributed.

In regard to SBDCs, Public Law 96-302, which took effect July 2, 1980, specifies that no Small Business Development Center "shall receive a grant which would exceed its pro-rata share of a $65,000,000 program based upon the population to be served by the small business development center as compared to the total population in the United States, or $200,000, whichever is greater." SBA funds Small Business Development Centers pursuant to this legislatively-mandated formula.

The Agency's funding level for SBDC's for the current fiscal year is $45 million and it's anticipated that this entire amount will be used as the program continues to grow. If the formula were changed so that sparsely-populated states were eligible to receive more than $200,000 a year, then other states would receive less funding than they have been receiving unless the legislative formula and the actual appropriations were increased accordingly.

Q. The small businesses in many states were hard hit last year by the drought and fires. Many of them have gone to the Small Business Administration for disaster loans and their requests have been denied -- I have several examples here which I will submit for the record. However, I wonder what plans you might have for this program which will allow these people to get the government assistance that they so desperately need?

A. As is the case with all its programs, the SBA must operate within the parameters set by Congress. I would be happy, after confirmation, to ask the disaster-assistance office within SBA to review the specific cases Senator Burns has

entered into the record to ensure that denials were justified.

Questions from Senator Mikulski

Q. Congress has just passed a bill to revamp the SBA's 8(a) program. During his testimony on the bill, your predecessor, Jim Abdnor, asked this Committee, in essence, to give the SBA as little discretionary power as possible in administering this program. A lot of the abuses of 8(a) seemed to stem from local SBA officials having too much flexibility in deciding who would benefit from the program. This committee tried to decrease the flexibility in the new law, and I think we succeeded. Do you agree with Senator Abdnor's prescription for eliminating some of the abuse, and do you agree that the new law is a step in the right direction?

A. The legislation does provide the direction and resources necessary to define more clearly the business development mission of the program. I would hope that this direction and these resources will significantly strengthen the program.

Q. Congress also passed the Women's Business Ownership Act, which is intended to stimulate female entrepreneurship. I understand that many of the applicants for the grant program under this Act, while they didn't meet the technical requirements for a grant, had some novel, innovative ideas about how to encourage women's business ownership. Can we count on the SBA to keep working with these unsuccessful applicants to explore those ideas; if so, how will you do it?

A. As Administrator, I would be eager to work closely with all women's organizations, including those that displayed an interest in the Women's Business Ownership Act of 1988.

Very shortly, a letter will be sent from the agency to applicants who did not meet the technical requirements of the grant program. This letter will notify unsuccessful applicants that SBA will continue reviewing their ideas to see whether the Agency can help implement them outside the grant program. I will ask that these ideas be closely studied by the Agency to determine how best to help.

Q. As the new Chair of this committee's Export Expansion Subcommittee, I think we need to do everything possible to encourage American business people to market their products and services overseas. What does the SBA intend to do in

order to do that?

A. The SBA already is working hard on a number of conferences, information materials and trade missions for the remainder of this year and for 1990. I strongly support these efforts. If I am confirmed, I hope to collaborate with the Department of Commerce and other federal agencies with trade responsibilities to determine what we can do to increase small-business involvement in exporting.

Questions from Senator Dixon

Q. Title VII of Public Law 100-656, the "Business Opportunity Development Reform Act of 1988", established the "Small Busine: Competitiveness Demonstration Program" to be conducted under t authority of Section 15 of the Office of Federal Procurement Policy Act. Section 712(c) requires each agency participating in the Demonstration Program to implement "a program to expand small business participation in the agency's acquisition of selected products and services in 10 industry categories which have historically demonstrated low rates of small business participation." SBA has been given the lead role in shaping a monitoring these special targeted programs to expand small business participation.

Has each agency participating in the Small Business Competitiveness Demonstration Program developed a plan acceptable to SBA?

A. Plans have been received from all nine participating agencies. Five agencies have been informed that their plans are ready for publication in the Federal Register. Four agencies' plans are currently in the review or revision process.

Q. Please describe the performance monitoring techniques SBA plans to employ to determine the effectiveness of the small business expansion programs undertaken pursuant to Section 712(c).

A. Currently, it is anticipated that performance data on the small business expansion programs will be submitted to SBA as part of the overall procurement goaling requirements of Section 15(g) of the Small Business Act. In addition to these statistics which will show the progress towards the goals, SBA will also request that each agency submit a status report of their progress in achieving the implementation of initiatives identified in their plans. The information

reported by the agencies, together with our analysis, will reported to Congress annually.

Q. Although the legislation does not specify any interim reporting requirement to the Congress, does the SBA intend to furnish any interim reports to the Committees on Small Business of the Senate and House of Representatives on some periodic basis?

A. At this time, the Agency has not plans to submit any reports on this program other than that described above; however, should it be determined that additional reports are necessary, I would certainly see that they are submitted.

Q. The Committee has devoted substantial oversight and legislative effort over the years to facilitate small business participation in the Federal procurement market. The "Small Business and Federal Procurement Competition Act of 1984", Public Law 98-577, and the "Defense Procurement Reform Act of 1984", Title XII of Public Law 98-525, had their origins in legislation originated within this committee. Public Law 98-577 gave statutory recognition to SBA's Breakout Procurement Representative (BPCR) Program, which has consistently generated savings many times in excess of its annual costs by eliminating obstacles to small business competition for spare parts previously acquired on a sole source basis. Similarly, small business contractors have consistently received valuable Government market access assistance from SBA's so-called Traditional Procurement Center Representatives (TPCR's). Public Law 100-590, the "Small Business Administration Reauthorization and Amendment Act of 1988", reaffirmed Congressional support in the benefits of the PCR program by authorizing seven additional PCRs.

From the performance data available to you, do you consider the SBA's "crucial programs" which "lower Federal spending" by expanding small business participation in the Federal procurement system to the Government's benefit as well as that of the individual firms?

A. I do believe that SBA's Traditional and Breakout PCR programs are "crucial programs". The Agency's performance data show that these programs expand small business participation in Government procurement, generate millions of dollars in savings and help individual small firms obtain Government contracts. For example, SBA's Traditional PCRs were able to increase small business set-asides by $1.4 billion in the past two years. Furthermore, the Breakout program generated more than $590 million in savings in the

past three years because of the introduction of increased competition.

Q. In the coming months, the Subcommittee on Government Contracting and Paperwork Reduction may hold oversight hearings on these SBA programs as well as the Competition Advocacy programs maintained by the various departments and agencies pursuant to the "Competition in Contracting Act of 1984." Has the SBA maintained performance data on the PCR programs, the BPCR program, and its other Procurement Assistance Programs for small business prime contractors, so that the accomplishments of these programs may be demonstrated?

A. Yes, the Agency does have performance data on all SBA Procurement Assistance programs which demonstrate accomplishments. If I am confirmed, I would be pleased to provide such data upon request.

Q. The SBA operates a Certificate of Competency (COC) program as part of its overall Procurement Assistance program. Under this program, a small business concern otherwise entitled to award of a contract is found to be incapable of performing the contract ("nonresponsible" in the jargon of Government contracting) by the Federal agency conducting the procurement is entitled to have SBA review its performance capabilities. If the SBA certifies the small business concern, as competent, the agency must take the contract award. The COC program has always been controversial with the procuring agencies, but the myth of the program's problems have not been supported by fact. In April of 1986, the GAO issued a report, Small Business Administration: Status, Operations, and Views of the Certificate of Competency Program, which favorably reviewed the program. Nonetheless, the procurement community continues to offer "reforms" to the COC program.

What are your views concerning the right of an individual small business concern to have its capabilities thoroughly scrutinized by the SBA in response to the deficiencies identified during the agency's pre-award review of its capability?

A. I support the right of a small business firm to have its capabilities thoroughly scrutinized by the SBA as a result of deficiencies identified in a contracting agency's pre-award review of its capabilities.

Q. The GAO report suggests that corrective actions taken by the small business concern in response to the deficiencies

noted during the pre-award survey, so-called "changed circumstances", may have more to do with SBA's willingness to subsequently find the firm "responsible" and issue a COC than a simple bias for small business concerns. Do you have any views in this regard?

A. SBA issues a COC only when a small business demonstrates conclusively that it can perform a specific procurement. Certainly not all small firms are referred to SBA for the COC process. However, when SBA issues a COC, it usually means that the procuring agency made a mistake, for whatever reason, in its evaluation of the firm's capabilities. The COC program helps assure that small firms are not unfairly denied contracts that are capable of performing. SBA statistics show that the Agency issues COCs approximately 40% of the time, and more than 93% of these contracts are completed.

Q. Since the issuance of the GAO report and the elimination of any limitation on the ability of small business concerns to make application for a COC, SBA has taken a number of useful steps to improve the administration of the COC program. Could you summarize them for the Committee?

A. Many positive actions have been taken to improve the quality, responsiveness and administration of the COC program. Several of these actions are.

* The number of COC Specialists was increased from 34 to 46.

* A nationwide computer system was installed in 1987 that provides an audit trail of case processing, paperwork reduction and management information for COC program managers.

* Intensive annual training sessions for the COC Specialists are conducted to keep the Specialists abreast of changes in law and regulations, state of the art and technology, and interagency responsibilities.

* Program quality monitoring was initiated through a quarterly evaluation of program activity. A rigid schedule of reviews of certified contracts was initiated with priority given to delinquent or problem cases, high dollar value procurements, and firms with multiple COCs.

* A "special handling" category of COC referrals was adopted to monitor all cases that had the potential of impacting on the national defense, health and welfare of the user, or quality critical items. These high

priority cases are scrutinized through the COC quality product in a timely manner to the Government.

As a result of these actions, the COC process has been improved and the number of delinquent certified contracts significantly reduced, while at the same time generating approximately $215 million in savings over the past five years.

Q. While the focus is often on a small business participation in the Federal procurement market at the prime contract level, the subcontracting arena continues to offer essential business opportunities to many small business firms. SBA's overall Procurement Assistance program contains an important subcontracting component. Within the limitations of its statutory authorities, SBA has strenuously advocated that the procuring agencies negotiate ambitious goals with prime contractors and vigorously seek good faith efforts to attain those goals in compliance with the subcontracting mandates of the Small Business Act.

On the other hand, the large firms that provide the majority of subcontracting opportunities under major defense system contracts have continually urged that the subcontracting program is unnecessarily burdened by reporting requirements on a contract-by-contract basis. It has been urged that the Act be amended to permit the option for negotiating a company-wide or divisional plan for subcontract participation by small business concerns and disadvantaged small business concerns. Such an approach would be more in keeping with the manner in which the firms manage their purchasing activities not subject to the subcontracting requirements of the Small Business Act. The Administration supported such a change to the Small Business Act, which was included in the Senate's version of the FY 1989 DOD authorization bill. The provision was dropped in conference upon the objections of the House Small Business Committee. The testing of such a company-wide or division-wide subcontracting plan option, for a limited period of time with careful monitoring, is once again being considered. Do you have any views concerning such a test protest?

A. The test proposal being considered by the Senate Small Business Committee is interesting and may have merit; however, without data to the contrary, I am troubled by the possibility that small business may be harmed by its implementation.

The existing requirement that prime contractors negotiate plans on a contract-by-contract basis has been an effective tool in assuring that small business is given the opportunity

to participate as subcontractors in the performance of Federal contractors.

If I am confirmed, I would be happy to have our staffs meet to discuss this proposal further and attempt to develop an approach for the implementation of a pilot test program.

Q. The paperwork burdens faced by small business government contractors and the small business community in general are another issue of continuing concern to the Committee. The Paperwork Reduction Act if 1980 (PRA) and the Regulatory Flexibility Act (RFA) are two statutory safeguards available to defend against the persistent regulatory assault of the various agencies. In this regard, the SBA's Chief Counsel for Advocacy is in the forefront. Various suggestions have been circulated to strengthen the RFA. During this session it is likely that the Congress will be considering legislation to reauthorize the Office of Information Management and Regulatory Affairs (OIRA), which was established under the PRA. This legislative effort may provide the opportunity to strengthen the protections afforded by that act.

Given President Bush's longterm interest in regulatory reform, would you, at some time in the near future, be willing to make recommendations to the Committee as to how the RFA and the PRA might be strengthened to afford more effective protection to the small business government contractors and the small business community in general?

A. Yes. As SBA Administrator, I would anticipate making specific recommendations on how to strengthen the Regulatory Flexibility and the Paperwork Reduction Act. These laws have given the SBA, through the Office of Advocacy, an important responsibility in achieving reduction of rules and paperwork for small firms. But SBA could be more effective if these laws were strengthened.

Chairman BUMPERS. Ms. Engeleiter, first of all, your statemen so strong and so cogent that some of my questions will probably redundant but for the purposes of the record, I will need to as most of them anyway, but I do appreciate your statement. I under stand that you have not yet resigned your Senate seat in Wisconsin and I would like for you to tell the Committee what your intensions are on that.

Ms. ENGELEITER. My intentions, Mr. Chairman, would be to resign my State Senate seat as soon as I am sworn in as administrator of the SBA, should I be confirmed.

Chairman BUMPERS. Second, I have read the FBI report background check, and so on, and I note that you have already stated, but for the purposes of this hearing and the record, I would like for you to state for the Committee your plans of recusing yourself in issues involving the Surety Bond Program.

Ms. ENGELEITER. I have signed——

Chairman BUMPERS. That is one of the burdens of having a husband, isn't it?

Ms. ENGELEITER. It was either that or asking him to quit his job. Recusals made more sense. I have recused myself from the Surety Bond Program within SBA because my husband Jerry is a vice president of a company involved in the Surety Loan Program. The deputy of the SBA will be handling the necessary decisions regarding the Surety Bond Guarantee Program.

Chairman BUMPERS. Ms. Engeleiter, you have heard Senator Baucus and Senator Bond and other Members of this Committee who come from rural areas mention their concern about seeing that rural America gets a better slice of the economic pie in this country.

We believe that SBA has a constructive role to play, whether we pass some sort of a macro rural development bill as now envisioned or not.

Are you committed to that proposition?

Ms. ENGELEITER. Yes, I am very committed to that goal.

Chairman BUMPERS. When the administration designs, particularly economic policy in this country, oftentimes people have a tendency to look at that policy as how it affects General Motors and other large companies.

Oftentimes things, for example, like the Kennedy bill to provide mandatory health benefits to all employees of all businesses, one of the things that does is get an awful lot of mail to some of us and particularly those of us involved in small business.

And sometimes I have, what shall I say, irritated some of my colleagues by holding hearings on some of those things even though this is not the committee of jurisdiction over that, just, for example, the Kennedy bill would be a Labor Committee issue, but still policies the administration promulgates often has a very profound effect on small business.

I am curious in your discussions with President Bush and other people in the administration whether or not you asked them, whether or not your views would be sought or considered in some of those policies, even though they are not technically small business issues.

Ms. ENGELEITER. Senator, I have not specifically talked to the President in regard to what extent my views will be heard on issues that are outside of the purview of the programs within the SBA, but President Bush and I did discuss at some length his vision for small business and the agency. President Bush, as you know, was a small businessman himself, he is very committed to a strong, independent SBA.

He has spoken out on a variety of its individual programs that he feels strongly about, such as the minority 8(a) Program. From all indications, I do believe that my views on issues that are outside of the purview of the programming within SBA will be heard and I certainly hope to be vocal within the administration on small business issues in general.

Chairman BUMPERS. Several years ago we were at odds with the administration which was trying to abolish SBA. Quite frankly, it was thanks to the really aggressive leadership of Senator Weicker who was then Chairman of this Committee, that we were able to prevent the President from abolishing the SBA. We waged a good fight and Congress overwhelmingly reputed the President's proposals on abolishing SBA. We never quite know when that might happen again but you have just cited numerous instances in your statement about what SBA and particularly the SBIC's have done for small business in this country.

I assume that we can count on you in case this issue ever arises again to be an advocate for small business and the SBA. Would that be a fair statement?

Ms. ENGELEITER. That's a fair statement. Again, I have spoken with the President about his view of the future of SBA and I, based on my conversations with him, I think the future from his vantage point is very, very bright.

Chairman BUMPERS. That is reassuring. Senator Abdnor when he came before this Committee stated he had certain priorities for SBA. He listed specifically rural development, international trade, and youth entrepreneurship.

Have you had an opportunity yet to determine what you think the priorities of SBA ought to be and priorities while you are there as administrator?

Ms. ENGELEITER. Well, Mr. Chairman, overall I think that the most important job that I have is to see to it that those programs that are already in place or new programs that were mandated during the last Congress are implemented and well managed.

Going through the overall list of new programs and continuation of existing programs, SBA has a very full job to try and take care of some of the initiatives that it needs to: A creation of a Surety Bond Program, a new one needs to take place; the creation of an 18-month revolving line of credit for export purposes; the continuation of an oversight of 40 rural development demonstration projects around the Nation; finalizing a long-awaited IRS study on the impact of 7(a)——

Chairman BUMPERS. You just anticipated my next question. We have been waiting for that study since 1986. I would certainly like your commitment that you will really aggressively pursue that.

Ms. ENGELEITER. You have my commitment that I will do that, if confirmed.

Chairman BUMPERS. I interrupted you. Do you wish to continue with that?

Ms. ENGELEITER. Well, Mr. Chairman, my point is that there are an awful lot of programs that are ongoing in SBA and new ones that were mandated by the last Congress that need to be implemented and well-managed. That is my overall objective.

Chairman BUMPERS. Ms. Engeleiter, there are some rather pro forma questions which the leadership likes for us to ask and it will only take a moment but we need to get them on the record.

If you are confirmed by the Senate, will you faithfully execute the laws passed by the Congress regardless of any previous statements you made or biases that you might have had?

Ms. ENGELEITER. Yes, I will.

Chairman BUMPERS. And if you are confirmed by the Senate do you promise to respond to requests to appear and testify before this Committee or any other duly constituted committee of the Senate?

Ms. ENGELEITER. Yes, I will.

Chairman BUMPERS. In order to conduct oversight review of SBA, this Committee will require complete access to SBA documents and personnel. Do you believe that documents or interviews with SBA employees should be denied to this Committee while pursuing its oversight activities for any reason?

Ms. ENGELEITER. No, I don't.

Chairman BUMPERS. And, finally, Ms. Engeleiter, we have heard that you plan to keep your family in Wisconsin and to commute to Washington. For the record, could you enlighten us as to your plans for residency and do you feel that this arrangement where you will be commuting every weekend will interfere with your duties as a full-time Administrator?

Ms. ENGELEITER. My plans, Senator, are up in the air right now and if confirmed, my husband Jerry and I will make a decision at that time.

Chairman BUMPERS. Thank you. Senator Boschwitz.

Senator BOSCHWITZ. I commute every weekend, of course.

Chairman BUMPERS. Yes, but for a different reason.

Senator BOSCHWITZ. Some people say that it interferes with my duties.

Chairman BUMPERS. Like your wife, for example?

Senator BOSCHWITZ. And other members of the family. I note the list of companies that you mentioned to have been recipients of SBA loans. My company never was but, interestingly, my supplier of kitchen cabinets in my business was a recipient of such a loan and is now the largest manufacturer of such kitchen cabinets, doing a business of a quarter of a billion dollars a year in that business, the company is Merrill-Light Kitchens from Adrian, MI. It is another example of a success story. They are quite profitable. I have argued with them a number of times about the cost of their cabinets. They are paying my money as taxes but we are selling them and doing a nice job with them.

I want to return for a moment to the questions that the chairman asked and also that Senator Grassley alluded to. In my experience with the Small Business Committee, sometimes OMB has been extremely aggressive with respect to various agencies, including the SBA. And at one time the SBA administrator was quite

cowed, I believe, by the OMB. Have you thought at all about it, the idea, as Senator Grassley spoke, of being an aggressive advocate, not only against costs imposed on small business but also about SBA being the tool of small business. Small business owners really, while there are several associations, really doesn't have a voice like a large company. A large company will hire somebody and put somebody on the scene here in Washington, will watch every law, will watch everything that is even proposed and come and tell us how their interests will be affected.

Someone running a plywood business like I did or a grocery store or any other type of small business, simply doesn't have the capacity and often not the interest for hands-on monitoring day-after-day. I just want you to restate the advocacy that you intend to give small business within not only the halls of Congress but within the ranks of the administration.

Ms. ENGELEITER. Well, Senator, I would be happy to restate that. I do plan to be a strong advocate for small business within the administration. And in regard to your specific comment regarding OMB, I am very optimistic that the relationship between the SBA and OMB will be a positive one, primarily because President Bush is committed to a strong, independent SBA.

I am looking at the relationship thus far this year between OMB and SBA and the Congress in taking care of the shortfall in funding for the 7(a) Program. I would say that the relationship between the agency, OMB, and Congress is off to a good start and I certainly hope and would anticipate that that will continue.

Senator BOSCHWITZ. I agree that OMB was, indeed, very cooperative in reprogramming elements of other programs to 7(a) and yet there probably will continue to be a shortfall on 7(a) guarantee authority.

Have you thought what step 2 is going to be in the event that we are up against the limits of that authority again?

Ms. ENGELEITER. No, I don't have the answer as to exactly what step 2 is but I look forward to working with OMB, if confirmed, to be part of that budgetary process to try and solve that problem.

Senator BOSCHWITZ. Have you dealt at all with so-called Section 89 problems? Are you familiar with Section 89 of the 1986 tax law and the various problems that small business might have with Section 89?

Ms. ENGELEITER. Well, it is my understanding in talking to small business people that they are having problems, significant problems with Section 89. I have not yet had the opportunity to talk to the Secretary of the Treasury in regard to that problem, since I am not yet Administrator of the SBA. But I would assure you that if confirmed, one of my top priorities would be to try and deal with that problem and to be a spokesperson within the administration to deal with that issue.

Senator BOSCHWITZ. As we have looked at that, as I have looked at it with my sons and as I have talked to other small businessmen about it, it may not achieve the goals that may have been intended. It may achieve the goal of producing more revenue for the Federal Government because a number of small businesses will say that: Well, we will just add some income to some of our employees rather than try to redo and restructure all of our benefit pro-

as required by Section 89. It is a genuine problem and I do, indeed, direct your attention to it.

I, of course, have not mentioned rural development, but as the Chairman has stated, my State, which you know so well, as has your State, is rural. While we have some larger cities, half of my folks live in rural areas and we do need to do things in rural development.

I have not yet introduced a bill, I am in the process of introducing it, and I look forward to talking with you about it. You have already really spoken about the emphasis that you will give rural development and I just want to add my voice to that. Thank you, Mr. Chairman.

Chairman BUMPERS. Senator Baucus.

Senator BAUCUS. Ms. Engeleiter, I want to repeat for emphasis a couple of the points mentioned by Senator Boschwitz and that is the importance of you being not a process person, but a results person.

I was a little bit disturbed when I heard you earlier say you are going to manage the programs of the SBA that should be managed effectively. That to me sends signals that you are a process person. And I can tell you that if you are going to be happy in your tenure at the SBA, you are going to have to be a results person as you are going to want to make things happen. You are going to have to be a mean person at times. You are going to have to cajole at times. You are going to have to use all your wits and creative resources at your command to figure out how to make something happen for small business. It is not only OMB but every other organization you can think of in this town fighting for what it wants; often at the expense of small business.

I can tell you, too, after many years of experience in trying to fight for small business and people's interests that big business has a say in Washington, DC, lots of other organizations have a say in Washington, DC, either through their agencies or through lobbyists that they hire. Small business has a tough time making itself heard in Washington, DC, and you are the small business administrator, small business, and it is vitally important for small business in America for you to be very, very effective.

That means you are going to have to work very hard. You have to be very, very creative. You are a legislator, a lawyer by background. I frankly think that is going to hurt you, that is going to make it difficult for you because you are used to dealing with process. You are not a business person, you are not an entrepreneurial person in experience and background. Those people get results, they want results, they have to to survive.

I urge you to get that results entrepreneurial spirit in you so that you can do a terrific job as small business administrator because you are going to have to have it if you are going to be successful as a small business administrator.

In that same vein, as I mentioned in my opening statement, you are going to have to fight for rural America. Because rural America doesn't have a lot of money behind it fighting for it.

A lot of us here in this Committee and other Committees do what we can but as an executive branch of Government, executive

side, you are going to have to be a very strong advocate and force, too.

I am working with Senator Boschwitz and many others on this Committee to introduce legislation. In fact, I am introducing a bill today addressing the need for much greater telecommunications capacity in rural America. It is clear that as each day goes by, more and more messages are transferred electronically, more information is transferred electronically, over the wires. It is microwave. It is television, it is, you know, it is electronic. The more that happens, the more there is a role for rural America.

There is no reason in the world if we take an inventory of programs or whatever we may do in this Government and this country, that a lot of this can't take place in rural America; that is, the work stations of rural America because messages are transferred electronically. They are just as close electronically as people in the cities are. So there is a role for a revolving fund on an affirmative basis, to get help on telecommunications to rural America.

The interstate highway in this country connected America. We have a land grant policy that helped establish colleges in rural America. The railroads were built by land grant donations in this country to expand and move west. This country is going to have to affirmatively, as I said earlier, take a much more aggressive role.

And I would like to ask you in the time I have left what you intend to do as the aggressive, creative, tough person to help fight for rural America. What are your ideas?

Chairman BUMPERS. In 10 words or less.

Ms. ENGELEITER. Could I quote Howard Baker? I am short but loud. Senator, I appreciate your concerns but I would tell you that I have been a good scraper and a tenacious fighter for small business in rural Wisconsin throughout almost 14 years in Wisconsin legislature and those efforts have been recognized by various organizations through the years, such as the Future Farmers of America who awarded me the legislator of the year a couple of years ago in Wisconsin for fighting for rural Wisconsin. I happen to represent an urban area so I think that that shows some sensitivity on my part.

I have been recognized by the National Federation of Independent Business for being an outstanding legislator as well, of the year, for my outspokenness on small business issues. I have also had the humbling experience of being a minority leader for a number of years and, believe me, I have learned what it is to be outspoken and to be tenacious and you can rest assured that I will be an outspoken advocate for small business and that I do have a sensitivity to rural America since Wisconsin is a rural State.

And while I am a lawyer and I can't change that and even worse, I am married to one, I would tell you I grew up in a small business household. My father was a small businessman. I grew up throughout my life, everyone in the family pitching in to work in that small business. It was started by my grandfather. Believe me, I know firsthand something about the entrepreneurial spirit.

Senator BAUCUS. I wish you well. There is a different mindset, though, between the legislative process and executive. When you are an executive, you are in charge, you have to make things happen. You can overreact. You have to be affirmative, aggressive,

and very proactive and we will be working with you and watching you and wish you the very best luck. Thank you.

Chairman BUMPERS. Senator Grassley.

Senator GRASSLEY. Thank you, Mr. Chairman. I want to visit a little bit about the Guaranteed Loan Program. Even though the current demand for SBA guaranteed loans exceeds the SBA allocation levels, and that thereby causes delays by lenders in funding approved SBA 7(a) loans to small business borrowers, there are two possibilities and there may be more, but for dealing with the problem, which include an increase in the fiscal year 90 budget funding allocation for SBA and also a proposed 250 percent increase in the guaranteed fee charge to small business under the 7(a) loan program.

Do you consider these acceptable solutions to the current problem?

Ms. ENGELEITER. Well, the current problem for this fiscal year, Senator, has been taken care of through the reprogramming that was done within the agency that was authorized by Congress and OMB. You are certainly correct that for the next fiscal year there will continue to be a shortfall unless something is done through the budgetary process this year to take care of that problem.

And I certainly look forward to being part of that budgetary process, which I haven't been to date, to try and solve that problem. I think it is very important to take care of that shortfall problem.

Senator GRASSLEY. Do you consider that those to be one of these two solutions I suggested and have been suggested, let me say, or are you thinking in terms of other solutions?

Ms. ENGELEITER. Those certainly are possible solutions, Senator, but there may well be others that I am not aware of right now that ought to be looked at as well. I am open to various suggestions as to how to solve the problem.

Senator GRASSLEY. Constituents of mine have also voiced concern about other loan restrictions such as outstanding SBA loans not being refinanced with new SBA loans. Constituents have complained that these new restrictions were made effective only 14 days before the constituents were notified.

Do you have any comments on these type of complaints or that one specifically?

Ms. ENGELEITER. I am aware. Those sorts of complaints were being made because of the shortfall that was going on earlier this year and if I am confirmed, I will take a look at that problem and see if it can't be remedied, if it is still going on.

Senator GRASSLEY. On another matter, dealing specifically with a very small provision in a bill that has just become law called the Taxpayer's Bill of Rights, and that was passed in the last Congress, and was under Senator Pryor's leadership, but Senators Reid and I were original co-sponsors of that bill.

This legislation included a provision that required the Treasury Department to submit proposed regulations to the SBA administrator for comment on the impact of these regulations on small business.

Could you inform us as to how or whether this new procedure is working?

Ms. ENGELEITER. I honestly don't know, Senator, and I will take a look at that.

Senator GRASSLEY. And submit an answer in writing?

Ms. ENGELEITER. I would be happy to.

[The Material follows:]

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

JUN 5 1989

Honorable Charles Grassley
United States Senate
Washington, DC 20510

Dear Senator Grassley:

During my confirmation hearing, you asked a question regarding the Taxpayers' Bill of Rights - specifically, whether the provision is working that requires the Department of Treasury to submit proposed regulations to the Small Business Administration (SBA) for comment on the impact on small businesses.

It's my understanding that under the current procedure, Treasury periodically submits copies of proposed regulations, as they appear in the Federal Register, to SBA's Chief Counsel for Advocacy.

I checked with the Chief Counsel to see whether this procedure is effective. He informs me that the Department of Treasury has never performed a regulatory flexibility analysis since the adoption of the Act, and interprets the additional requirement in the Technical and Miscellaneous Revenue Act (TAMRA) only to require submission of a copy of the prepared regulation. A letter from Senators Pryor and Reid to Commissioner Gibbs has informed the Internal Revenue Service (IRS) that the purpose of the provision was to afford SBA an opportunity to comment on proposed regulations and to have those comments considered on the record. The SBA intends to comment on the recently promulgated regulations under Internal Revenue Code Section 89 and to utilize this procedure; however, the passage of TAMRA has been too recent to determine if this provision is being complied with satisfactorily. I will be happy to report to you on how the process is working after we have more experience with it.

Meanwhile, I can assure you that SBA wants notice as early as possible on pending regulatory decisions by Treasury and the Internal Revenue Service. We are particularly interested in making sure that the IRS provides opportunity for meaningful review on the record.

Sincerely,

Susan Engeleiter
Administrator

Senator GRASSLEY. My last question will deal with a bill that we are going to be voting on today, minimum wage, and not the specifics of it but, as you know, there is a great deal of dispute whether or not it ought to be increased or not and probably a fair number of the complaints that it should not be increased, or at least not be increased very much, comes from small business.

So the implementation of an increased minimum wage is expected to greatly affect our Nation's small business. Do you intend to monitor the effects of a minimum wage increase on small business?

Ms. ENGELEITER. Certainly I would, if confirmed, Senator, take a look at the effect of the minimum wage law in small business.

Senator GRASSLEY. And then would you see yourself, if you saw the increase of detrimental, speaking up to that point?

Ms. ENGELEITER. Certainly I would, Senator. My view of the issue is that the minimum wage has not been increased since 1981 and I believe that the President has a reasonable compromise in increasing it to $4.25 an hour along with a 6-month training wage. That takes care of the problem of no adjustment since 1981, but at the same time it throws the fewest possible number of people out of work by raising the wage. So I think that is a reasonable position and I wholeheartedly support it.

Senator GRASSLEY. And I probably will support that position as well, and probably will have to vote yet this very day on what I just said, but it could be that even $4.25 is detrimental to small business. I know the law is the law and the extent to which it will go into effect over a 3-year period of time might mean that for the impact upon small business, somewhere along the line in the next 2 years, a point may be made, or might have to be made about a negative impact on small business. I am not suggesting that it will have. I am saying that small business is concerned about it.

Is there anything in that process, loyalty to the President, or anything else that would keep you, if you came to that same conclusion, from making comments accordingly?

Ms. ENGELEITER. As I understand my responsibilities by law, Senator, they are to manage SBA programs and to analyze issues that affect small businesses and to be a strong advocate for them and I certainly take that responsibility very seriously.

And the issue of the minimum wage is one that certainly has a great impact on small businesses so I will take a look at it and I will be outspoken.

Senator GRASSLEY. Thank you, Mr. Chairman. Thank you for your answers.

Chairman BUMPERS. Thank you. Senator Burns?

Senator BURNS. Thank you, Mr. Chairman. And I will stay with the tradition on this side of the table: Susan, it is good to see you, and I welcome you to this Committee.

Through the experience of the political arena, we met a couple of years ago and it is good to see you here.

I have some concerns about the Small Business Administration in regard to rural States. Many people have gone ahead and started small businesses there and their allocation of SBA funds to those States are based on population. I am wondering if you have any comments on that practice, and if as administrator of the SBA you would be open to change in those formulas which would

remove their slant against those States which are sparsely populated?

Ms. ENGELEITER. Senator, I think it is extremely important that the resources of the SBA be fairly distributed to people around the country, whether they live in urban areas or rural areas.

And I certainly intend to take a look at the various programs within the agency to make sure that there aren't any areas of the country that are being disadvantaged and I will do that throughout all of the programs.

Senator BURNS. We had a situation this last summer where we were hit with devastating fires and we have been in a drought situation in Montana the last 2 or 3 years. Many small businesses have gone to the Small Business Administration after we were declared a disaster area and were advised to do so, to pick up some needed funds or low-interest loans to survive.

I have several examples here of people that were denied. And SBA just said: Well, we are just simply out of money or the program has run out. I am wondering in your position, and I would have to go along with the comments of Senator Baucus, just how good a scrapper are you going to be? Because that's about the only place these people have to go under those circumstances. I am wondering what your plans are administratively for planning for the future—some sort of programs—I would like to have you comment on that, please.

Ms. ENGELEITER. Senator, I am not familiar with the details as to why these individual businesses were denied loans but, if confirmed, I would very much appreciate having those specific incidents related to me so I can follow up and investigate and see if they were improperly denied loans or not.

Senator BURNS. I look forward to working with you and thank you for your comments. I would yield, in the essence of time because it looks like we are going to have to head for the Floor here a little bit and do some work over there. I will have a couple other questions and I will submit them in writing to you and welcome. I shall be supporting you.

Senator BAUCUS. One quick point. I want to reemphasize the point he made about the folks hurt in fires. They are down and out and don't have anything, just what the Senator said is absolutely correct. If you could look into that, that would make a big difference.

Ms. ENGELEITER. Senator, if I might, I would also comment that you and I spoke about a resolution that was passed during the last session of Congress which would look into the overriding effects of that very devastating fire and I want you to know that, if confirmed, I intend to follow through and to take a look at exactly what can be done.

Senator BAUCUS. Thank you. You are doing better all the time.

Chairman BUMPERS. Senator Stevens.

Senator STEVENS. Thank you very much, Mr. Chairman. Ms. Engeleiter, Susan, I am pleased to see you here and we are all delighted with the President's choice to head the Small Business Administration.

I come from a State, as you know, that we have had severe small business problems in the last year but we have just had an over-

whelming disaster. I sought to have the President declare an emergency under the disaster act for Alaska, despite the fact that this was a man-made disaster. And based on the advice of the Department of Justice, with which I don't agree, incidentally, he decided not to do that but he directed the SBA to make available loans to those who have economic injury in this area who cannot get funding for the time being, at least, from Exxon.

And yesterday our good friend, your predecessor, Jim Abdnor and the current incumbent at SBA advised me that the disaster loans would be available based upon his certification of the Governor's request.

Following that I asked Frank Cox, who was our district manager, to establish offices in the areas that Frank and I know well Cordova, Valdez, Homer, Seward, Whittier, Soldotna, Anchorage, Kodiak, and other communities. Now, I know you haven't been down there yet but have you had a chance to review that to see where offices may be established? These are just temporary offices, obviously, that deal with the emergency.

Have you made any decision where offices will be set up by SBA?

Ms. ENGELEITER. As you indicated, I am not yet in the position but it is my understanding that SBA will be setting up offices immediately in Cordova, Valdez, and Seward and that a two-man disaster office will be opened up in Anchorage and additional offices will be opened up later in Whittier, Homer, Soldotna, and Kodiak.

Senator STEVENS. Do you have any idea when they will be open?

Ms. ENGELEITER. My understanding, again in checking with SBA, is that the offices in Cordova, Valdez and Seward will be going up by Saturday of this week and that there are some problems getting office space, they are trying to remedy, but in the meantime inquiries can be directed to the Anchorage office.

Senator STEVENS. And has any determination been made to your knowledge of what the interest rate will be? I know the administrator has discretion in disasters and I would hope that it would be as low as possible. What will be the interest rate on the Alaska loans?

Ms. ENGELEITER. It is my understanding the lowest possible rate that can be offered will be 4 percent so that will be the rate.

Senator STEVENS. I thank you very much. You are obviously very well briefed, Susan. I am pleased to see that.

Chairman BUMPERS. If I may, we have yet to have Senator Kasten and Senator Lott. I am informed the vote is now at 3:45 and at 4, back to back. I would like, if at all possible, to terminate the hearing by then so we don't have to come back.

Senator STEVENS. I am ready to yield. I want to offer one piece of advice. You have one of the finest young women that ever worked on my staff with you, she is here and she is going to blush from her head to her toes but she is very good, I hope you listen to her.

Ms. ENGELEITER. I certainly will.

Senator STEVENS. A great gal.

Chairman BUMPERS. Could we have her name for national television purposes.

Senator STEVENS. Mary Dewhirst, she is sitting there in the back, she used to be my assistant. You know her very well.

Chairman BUMPERS. Welcome Mary.

Senator KASTEN. Mr. Chairman, thank you very much.

First of all, Susan, I want to commend you on your outstanding statement, particularly the reduction of red tape and paperwork. I know that is in every small businessmen and women's top of the list and I also commend you on your response on Section 89 of the tax bill.

I think if there is one issue out there that is the small business issue right this moment, it is how in the world they are going to comply with Section 89 when the rules and the regulations have been out only for a short period of time. Some of the regulations still have not been completely published and explained and they are supposed to be complied with this bill. My mail is overwhelming in opposition to this.

Senator Lott and others are preparing amendments, we might even have one on the minimum wage bill and I am an author of two or three efforts to repeal or delay but I hope you, along with this Committee, can get involved in either reform or delay or, frankly, I am for outright repeal of Section 89. It is a bad section and I think it is going to have the same effect that the Erisa bill had a number of years ago which basically stopped people from having pensions and ownership in small businesses. It was too much paperwork. I think this could have the same effect on some of the problems that we have got right now with regard to benefits.

Mr. Chairman, I am pleased that the Committee has voted unanimously in favor of Susan and I hope we can move this very quickly. I have two or three questions I would like to submit for the record. One in particular having to do with the corporation for small business investment, the COSBI bill, strong support that we had here and I have a series of questions which I would like to submit for the record on that subject. I thank you, congratulations, and I look forward to working with you.

Chairman BUMPERS. Thank you, Senator Kasten. Senator Lott, we voted earlier, I don't know if you would like to vote aye on this.

STATEMENT OF HON. TRENT LOTT, A U.S. SENATOR FROM THE STATE OF MISSISSIPPI

Senator LOTT. Yes, sir.

Chairman BUMPERS. The rollcall clerk will take your vote as an aye then.

Senator LOTT. I definitely want to be recorded in the affirmative and I would like to join my colleagues here in welcoming you to this appearance before the Small Business Committee and congratulating you, Ms. Engeleiter.

We are very pleased you are going to be in what I think is a very important position and I think the President made an excellent choice when he selected you for this position.

I have a couple of questions. One of them involves you and also other people having this same problem. Why are you here so late? Why couldn't we have acted on your confirmation 30 days ago? Could you give me a brief response to that?

Ms. ENGELEITER. To the best of my knowledge, Senator, it is because the FBI report took quite a while to do. They take a minimum of 6 weeks, as I understand it, and I had to have a full field FBI check since I had not had one before and that took a while.

Senator LOTT. I thought I knew the answer but I feel like these nominations are being unnecessarily delayed and maybe it takes 6 weeks but I think in your case it was too long. And I would like for us to look into the process that is involved in getting people like yourself ready to be confirmed by the Committee.

Just a couple points. Having a State that has been disaster prone in the past, tornados, floods, hurricanes, Small Business Administration has meant a great deal to us in trying to recover from what disasters do to small businesses. I wish we could get in on some of the 4-percent interest. I am going to have to talk to you about that. Last time we had a disaster, I think ours was more than that, 5⅞, so we may have to retroactively go back and work on that.

I think what you are able to do with this agency for small businessmen and businesswomen in this country, what you can do when we do have natural disasters in moving quickly like obviously your agency is doing there in Alaska, can mean a great deal. And also I do think that we can do more and we can do a better job with what we have in the minority enterprise area.

In my own State of Mississippi, we have a lot of potential, I think, in minority enterprise. I am going to work hard to try to find some minority businessmen and businesswomen to get into this area, to try to be competitive in the Federal arena and the private sector and I would urge your attention to that particular area because I think that we can do a lot for people that not only can get a job but create jobs as minority businessmen and businesswomen.

I would like to get your response on that particular area in case you haven't already commented on it.

Ms. ENGELEITER. One of my first tasks if confirmed, Senator, will be to start a nationwide search for a new head of the 8(a) Program per the legislation that was passed by Congress last year.

And in addition to that, it will be my responsibility to see to it that the new regulations in regard to 8(a) are put into practice and so those are two very large responsibilities that I am going to face right away and I take them very seriously.

Again, the President is very much committed to that program and wants a vigorous program, a well-run program and I am committed to that as well.

Senator LOTT. Thank you very much, Mr. Chairman. Congratulations and I am looking forward to a quick vote on the full Senate Floor on your behalf.

Ms. ENGELEITER. Thank you.

Chairman BUMPERS. One last question. Congressman Conyers who is a very prestigious Member of the House Small Business Committee has asked me to ask you to look at the definition of economically and socially disadvantaged in relationship to the new regulations on the 8(a) Program.

He feels that it is probably unnecessarily stringent or maybe not stringent enough, I am not sure where he is coming from on this, but he does at least not think that it is a precise standard and would like to see it nailed down and become more precise and I would just simply suggest, without answering the question, that you might wish to contact Congressman Conyers to discuss what his concern is and see if you can accommodate his concerns.

Ms. ENGELEITER. I would be happy to do that.

Chairman BUMPERS. With that, subject to the final tally of the vote at 6 p.m. this afternoon, which I am certain will recommend your confirmation to the Senate, Ms. Engeleiter, you have been an excellent witness and we are honored to have you and let me offer my own personal congratulations. We look forward to working with you.

Ms. ENGELEITER. Thank you, Mr. Chairman.

Chairman BUMPERS. With that, the Committee will stand adjourned.

[Thereupon, at 3:45 p.m., the hearing was adjourned.]

APPENDIX

IBA WISCONSIN

Independent Business Association of Wisconsin

Tenney Plaza
3 S. Pinckney St., Suite 26
Madison, WI 53703

608-251-5546
800-362-8027
608-251-5952 FAX

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Van Horn Construction
Pewaukee

Gene Kraus
Legislative Affairs Counsel

Catherine M. Heaness
Executive Secretary

Member
National Small Business United
Washington, D.C.

April 3, 1989

The Honorable Dale Bumpers
Chairman
U.S. Senate Committee on Small Business
428A Russell Senate Office Building
Washington, D.C. 20515

Dear Chairman Bumpers:

It is with great pleasure that I endorse the nomination by President Bush of Susan Engeleiter to be the Administrator of the U.S. Small Business Administration.

The Independent Business Association of Wisconsin is Wisconsin's oldest statewide association that exclusively represents small and independent business owners in Wisconsin. Our national affiliate, National Small Business United, is the nation's oldest small business association.

IBA-Wisconsin has had the opportunity to work closely with State Senator Engeleiter on many issues of concern to the small business community and have found Senator Engeleiter always understanding of the viewpoint of the small business owner. Her leadership abilities, for which her peers elected her Senate Minority leader, will stand her in good stead at S.B.A.

IBA knows that Senator Engeleiter will be a credit not only to her state but to the small business community in Wisconsin as well, and we would like to give a heartfelt "second" to her nomination. We hope that the Senate will approve that nomination quickly so that America's small business owners can have Susan's abilities as a national resource.

Sincerely,

Gene Kraus

Gene Kraus
Legislative Counsel
IBA-Wisconsin

GK/cmh

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Tenney Plaza
3 S. Pickney St., Suite 26
Madison, WI 53703

608-251-5546
800-362-8027
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Van Horn Construction
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Gene Kraus
Legislative Affairs Counsel

Member
National Small Business United
Washington, D.C.

April 3, 1989

The Honorable Dale Bumpers
Chairman
U.S. Senate Committee on Small Business
428A Russell Senate Office Building

Dear Chairman Bumpers:

As President of the Independent Business Association of Wisconsin, I strongly endorse the nomination by President Bush of Susan Engeleiter as the Administrator of the U.S. Small Business Administration.

The Independent Business Association of Wisconsin is Wisconsin's oldest statewide association that exclusively represents independent and small business owners. National Small Business United, our national affiliate, is the nation's oldest small business association.

State Senator Engeleiter has worked closely with IBA-Wisconsin on many issues of concern to the small business community, and has always been understanding of the viewpoint of the small business owner. Her leadership abilities, which were the basis for her election as Senate Minority Leader, will put her in good standing at the Small Business Administration.

Speaking for all of IBA, we know that Senator Engeleiter will be a credit not only to Wisconsin, but to the entire U.S. small business community as well. We strongly "second" her nomination as Administrator of the S.B.A. We hope that the Senate will quickly approve Senator Engeleiter's nomination, so that all of America may benefit from Susan's abilities.

Sincerely,

John D. Roethle

John D. Roethle
President
IBA - Wisconsin

JDR:gd